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Edmonton STATE OF THE MARKET 2018

BREAKFAST | NETWORKING | MARKET BRIEFING

Altus Group
DATA SOLUTIONS

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Agenda

Office Market and the Chase for Talent

E-Commerce Impact Retail and Industrial

Capital Market Overview

New Homes Activity

Real Estate Market Trend Overview

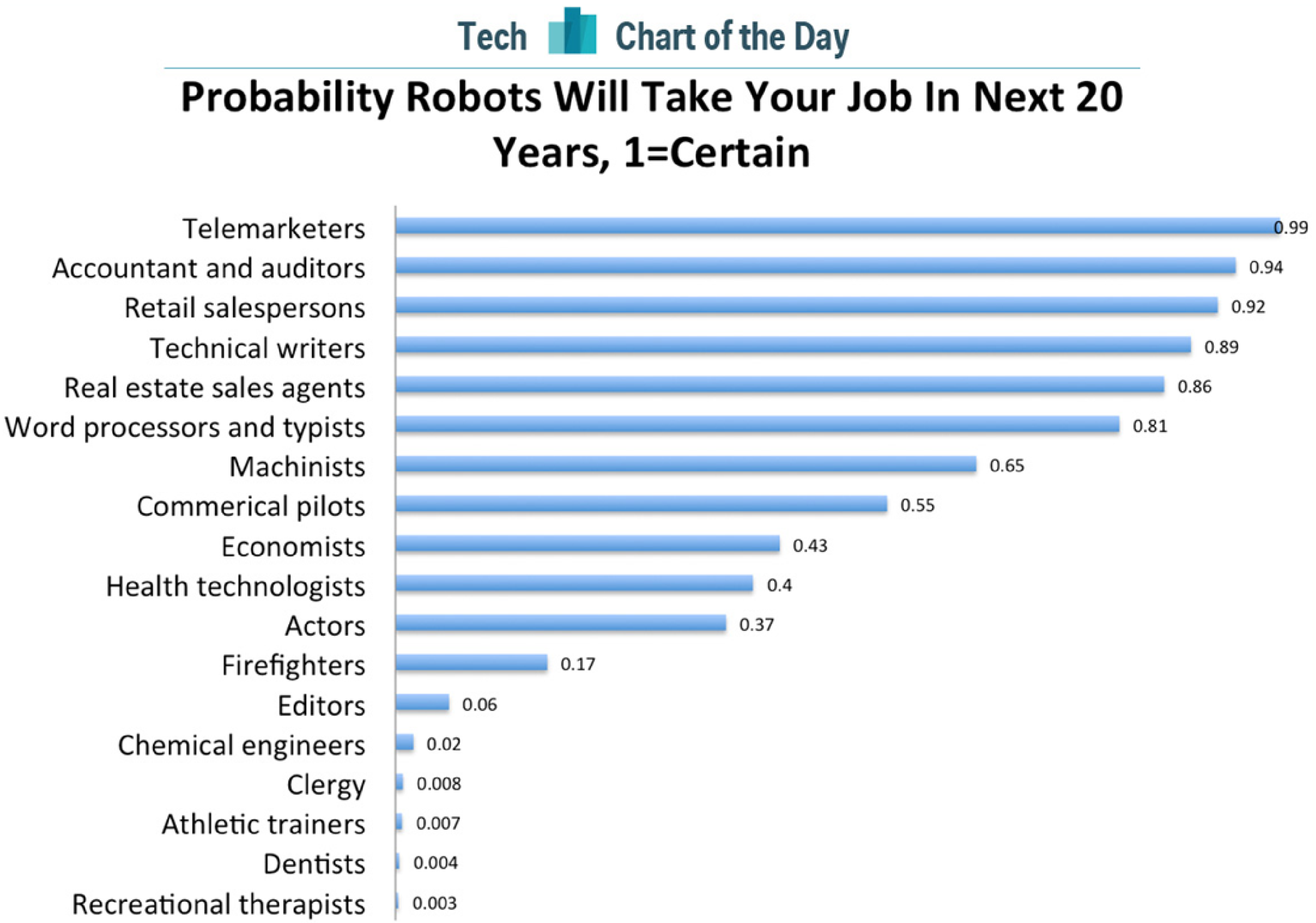
Raymond Wong

Vice President, Data Operations,
Data Solutions, Altus Group

State of the Market

Office Market

Job Changes AI Influence



Source: The Economist

Why Co-Working Space is Gaining in Popularity

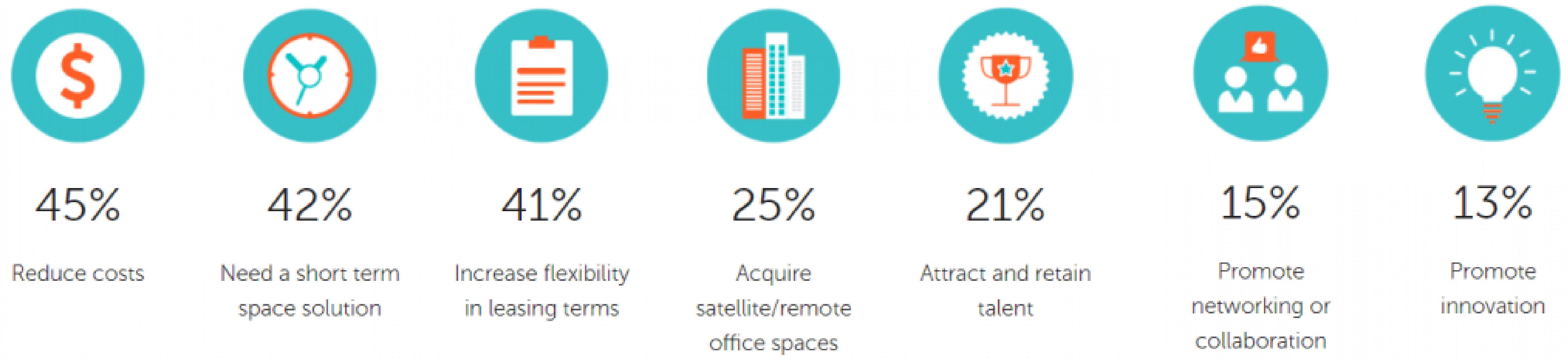
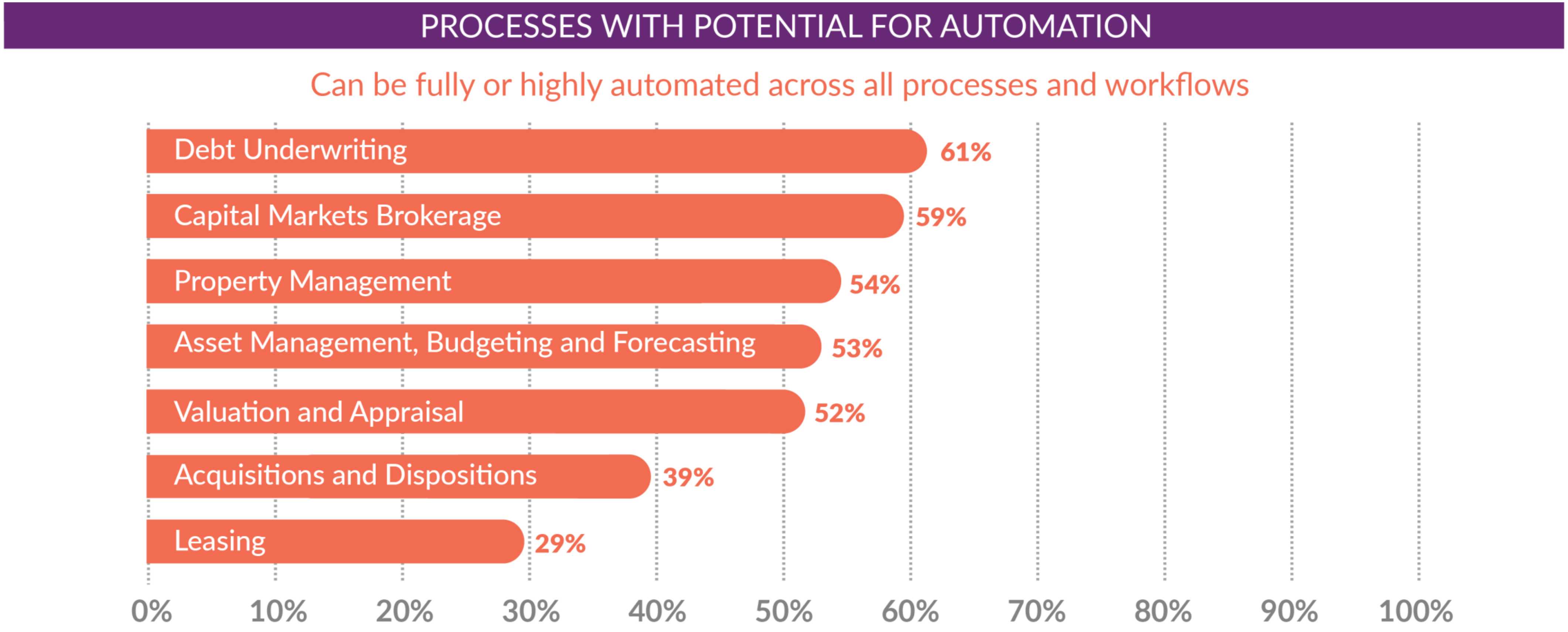
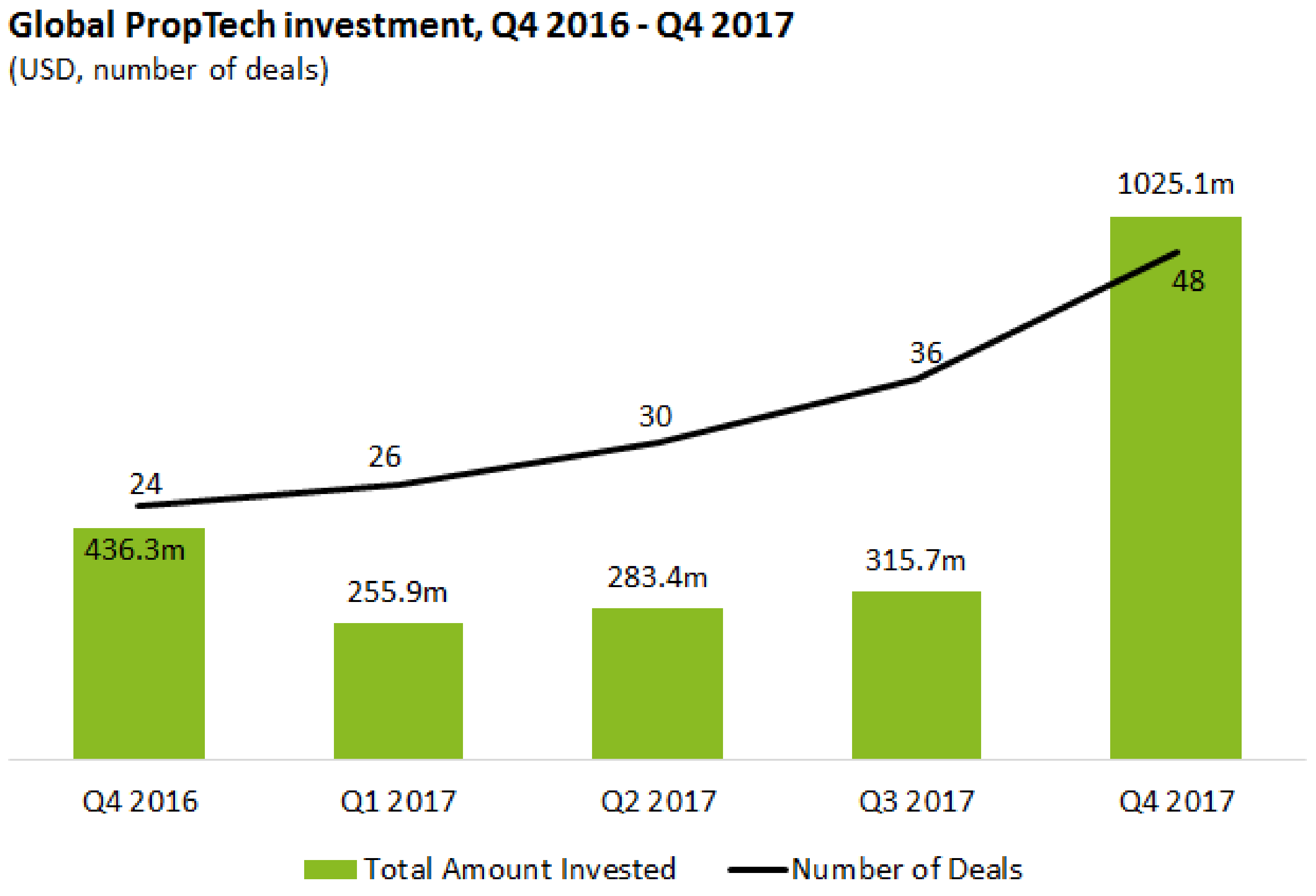


Image Source: LiquidSpace

Automation Poised for Major Impact

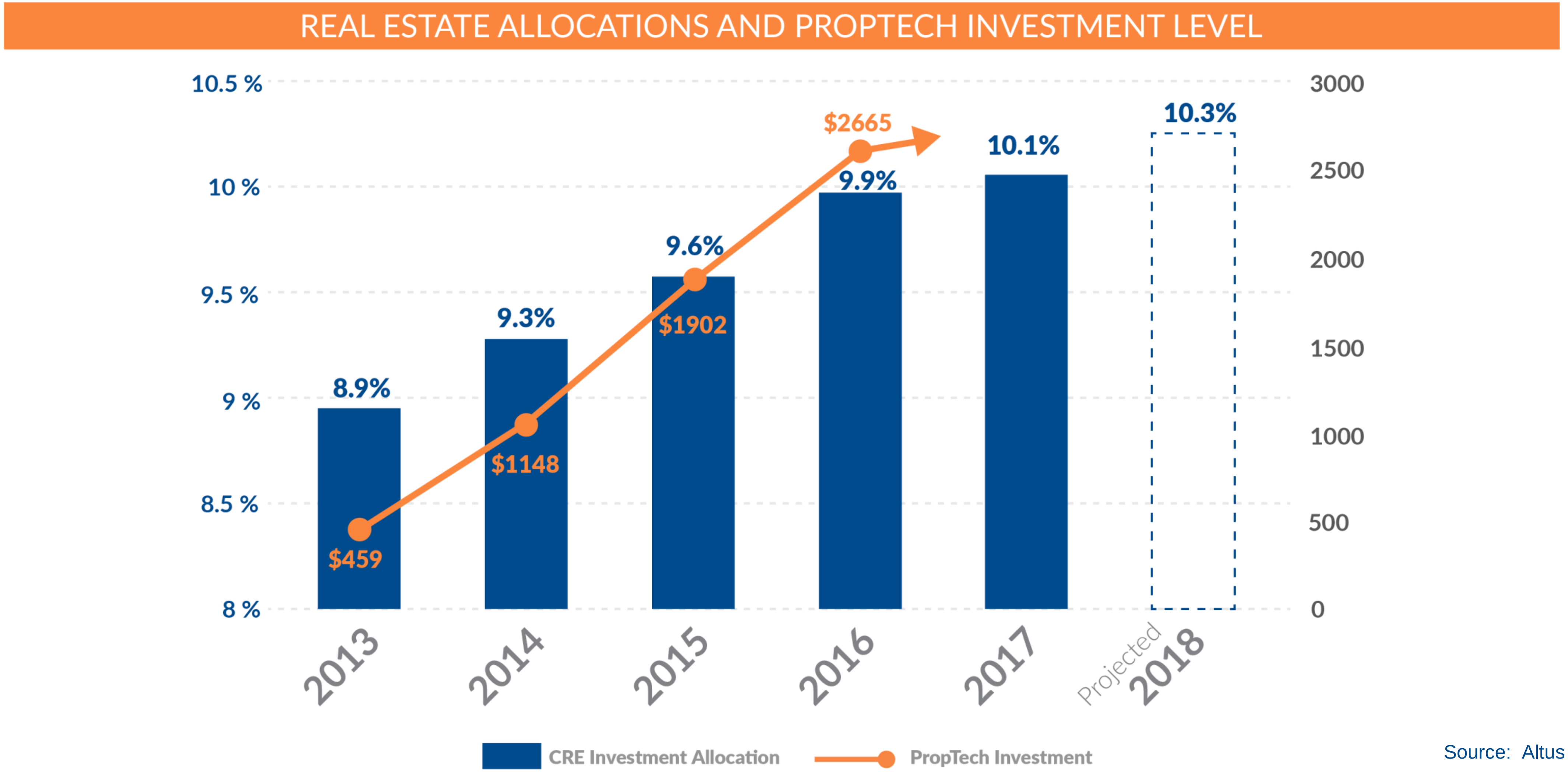


Steady Investment



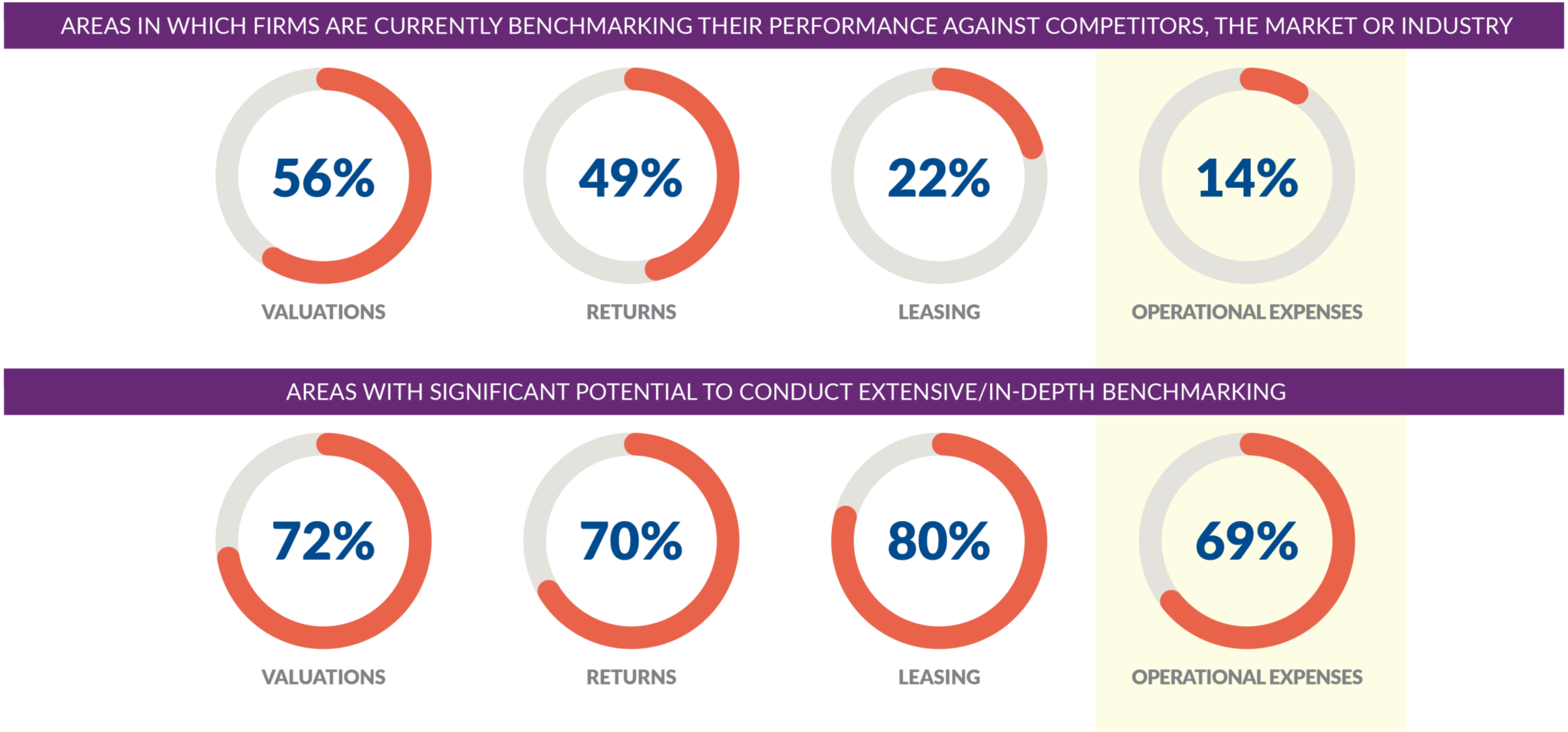
Source: FinTech Global

CRE Asset Class and PropTech Growth



Source: Altus Group

Gap and Opportunity in Performance Management



Source: Altus Group

Is CRE Prepared for What's Next?

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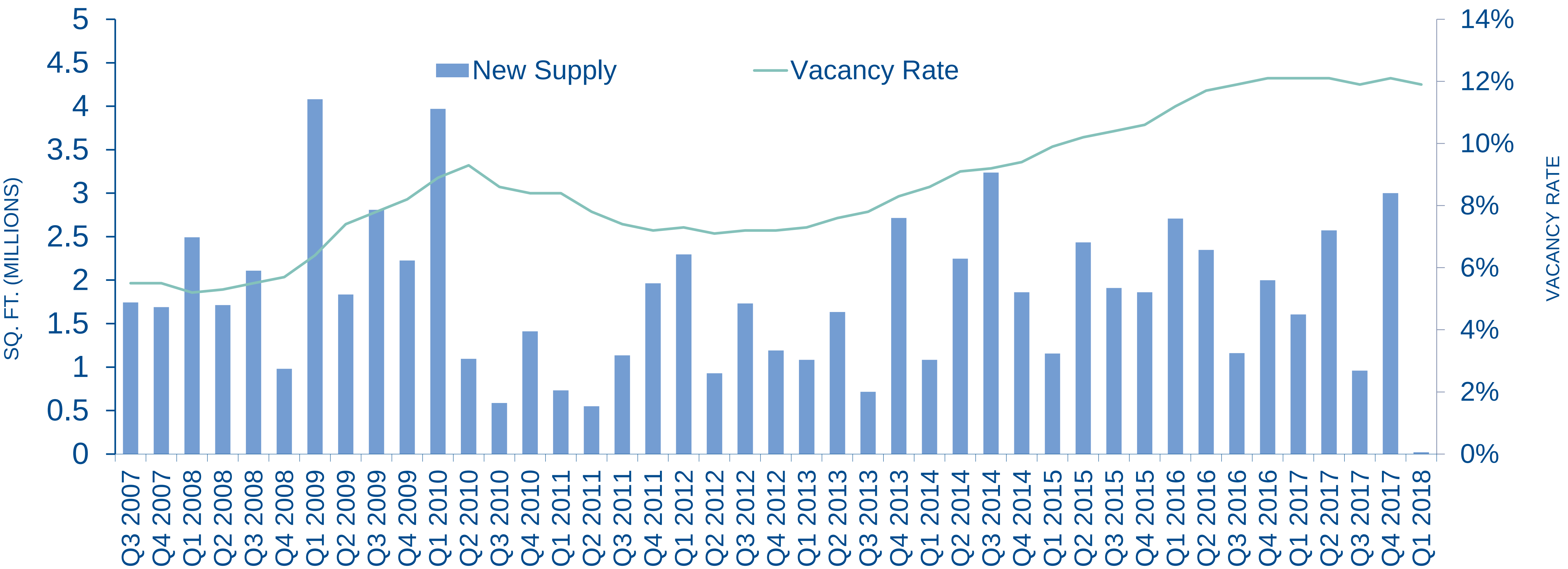
POTENTIAL IMPACT OF EMERGING DISRUPTIVE TECHNOLOGIES

	No or only minimal impact on how business is conducted	Potential for significant cost savings but no disruptive change	Will create major disruptive changes in the CRE industry
Smart Building Technology	20%	45%	35%
Artificial or Machine Intelligence	38%	34%	28%
Big Data and Predictive Analytics	42%	34%	24%
Augmented and Virtual Reality	55%	27%	18%
Blockchain Technology	62%	23%	15%
Driverless Vehicles	73%	18%	9%

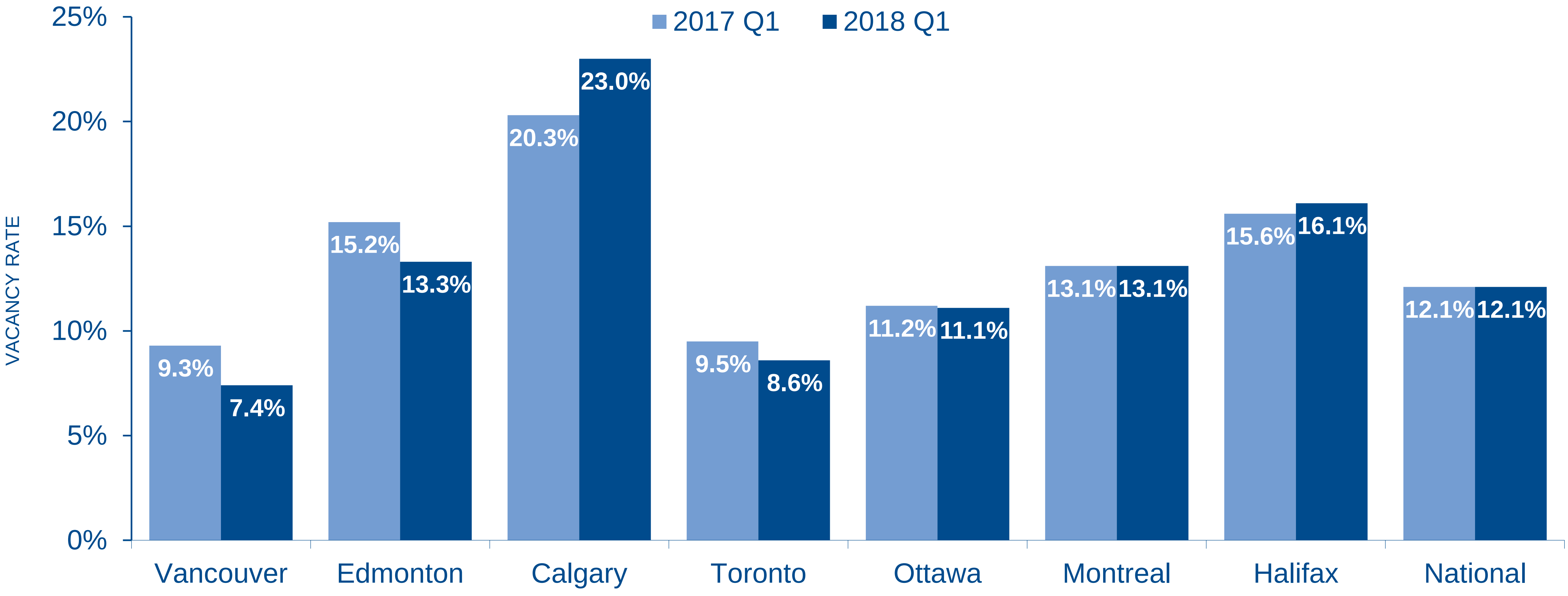
Source: Altus Group

National New Office Supply in Check



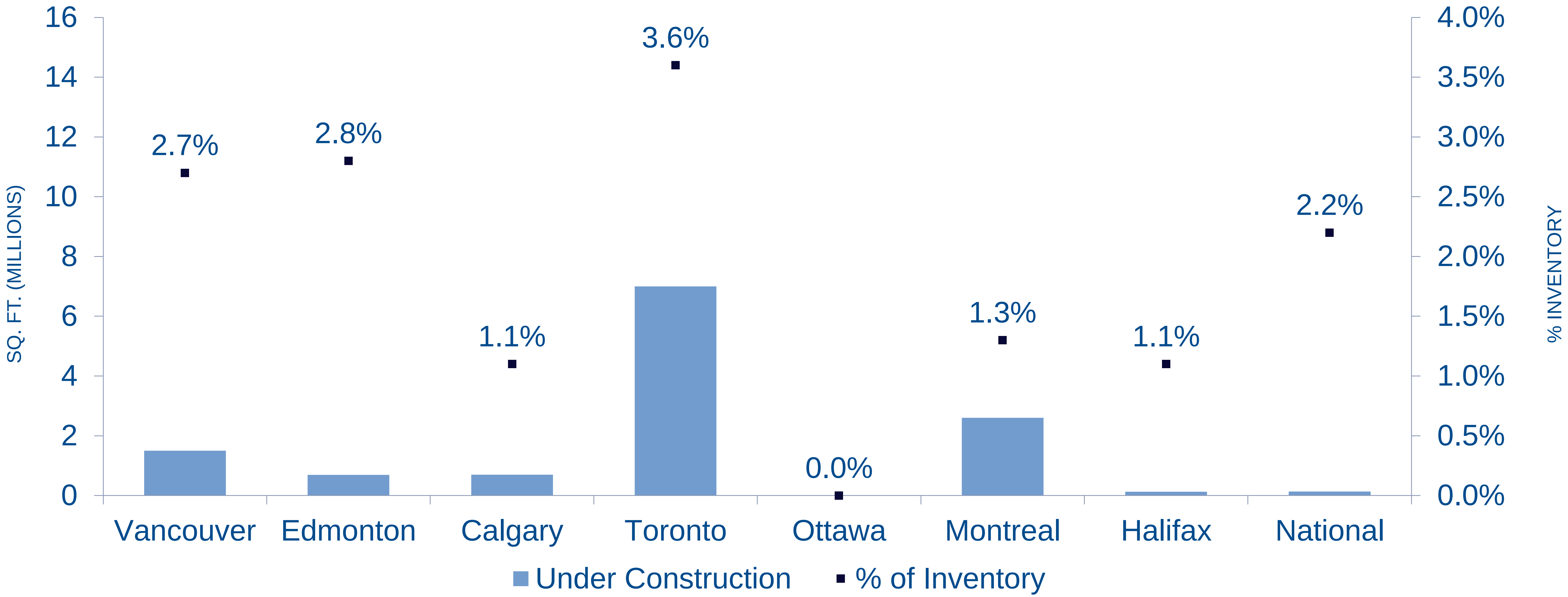
Source: Altus Group

Office Vacancy Rate in Balance With One Notable Exception



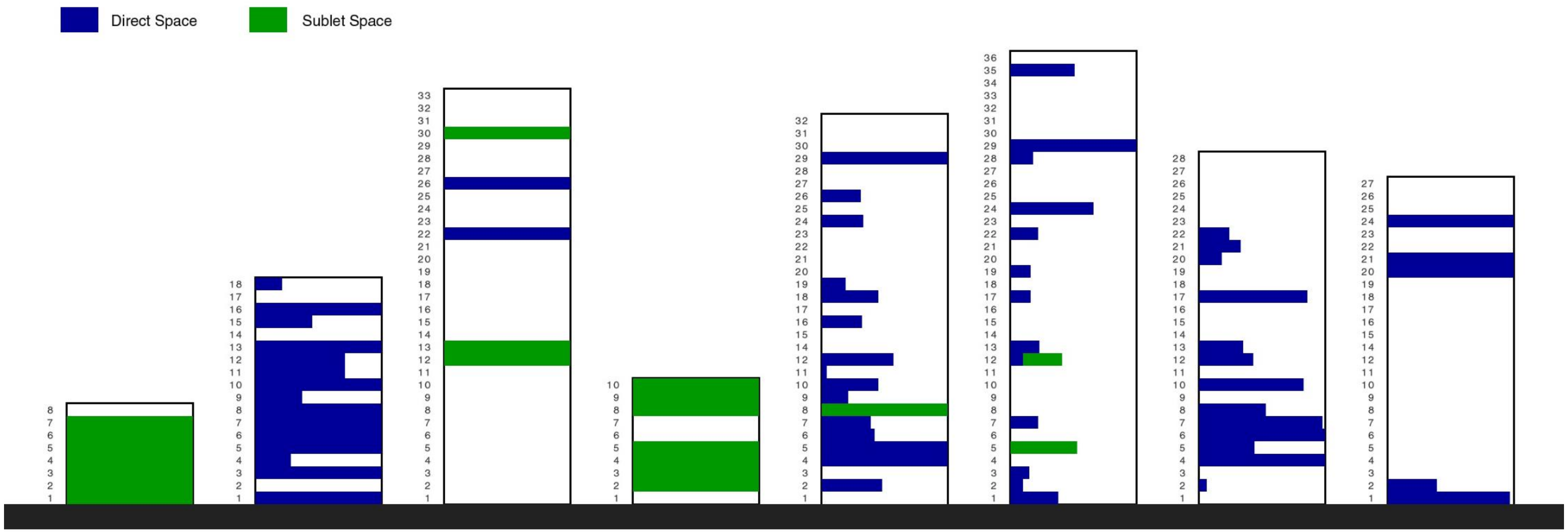
Source: Altus Group

New Office Construction, as % of Inventory



Source: Altus Group

Buildings with Largest Vacancy – Older Buildings Impacted by New Supply



Stantec Building

HSBC Bank Place

ATB Place South - TELUS house (ATBS)

Devonian Building

Bell Tower

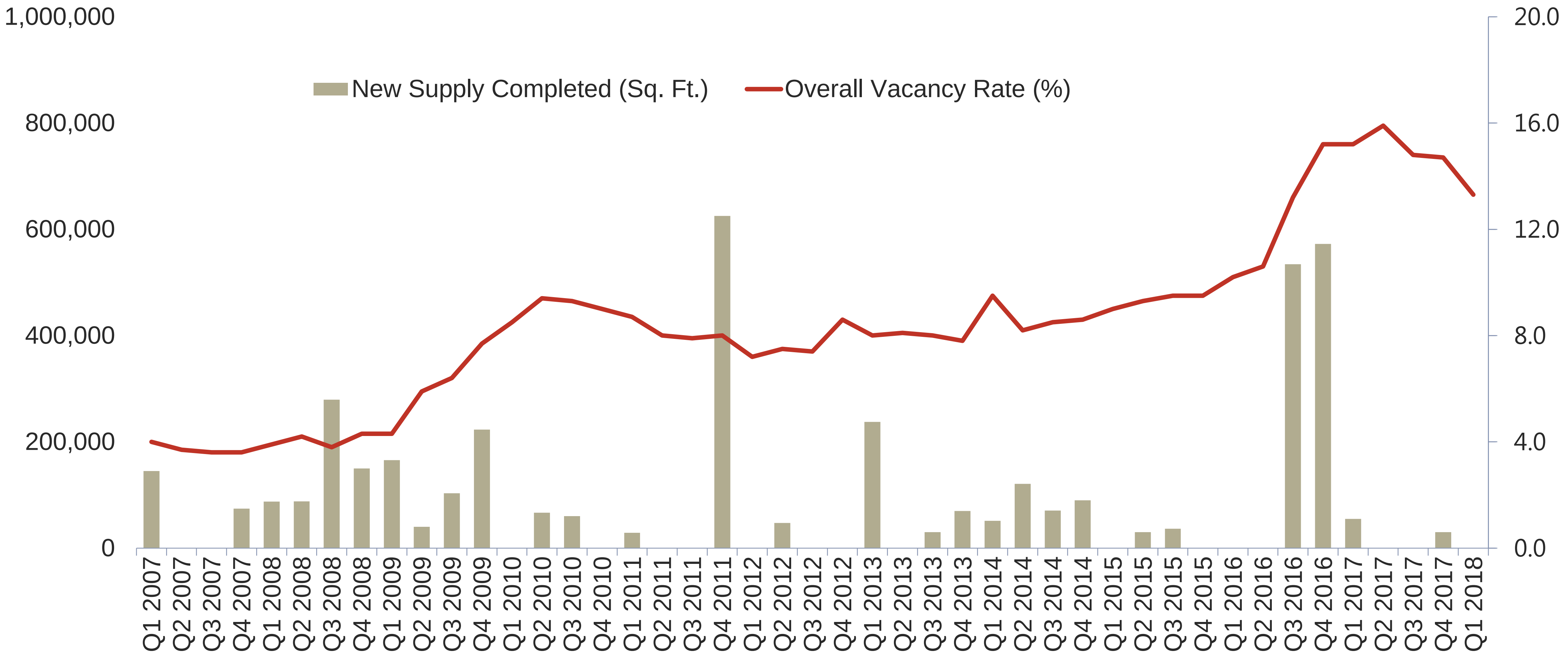
Manulife Place

Scotia Place Tower I

Edmonton Tower

Source: Altus Group

Edmonton Office Continues to Recover, With a Little Help From Conversion Activity



Source: Altus Group

Office Highlights, Downtown vs. Suburbs

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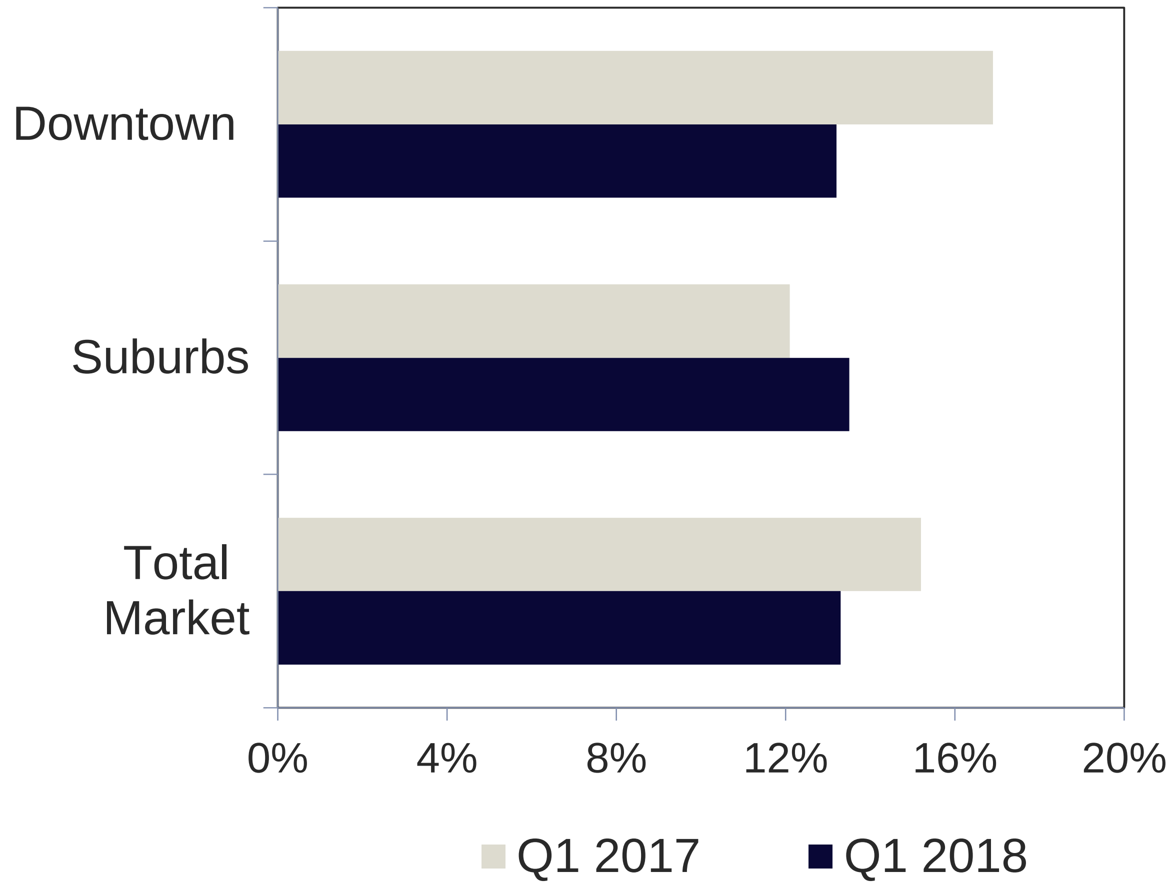
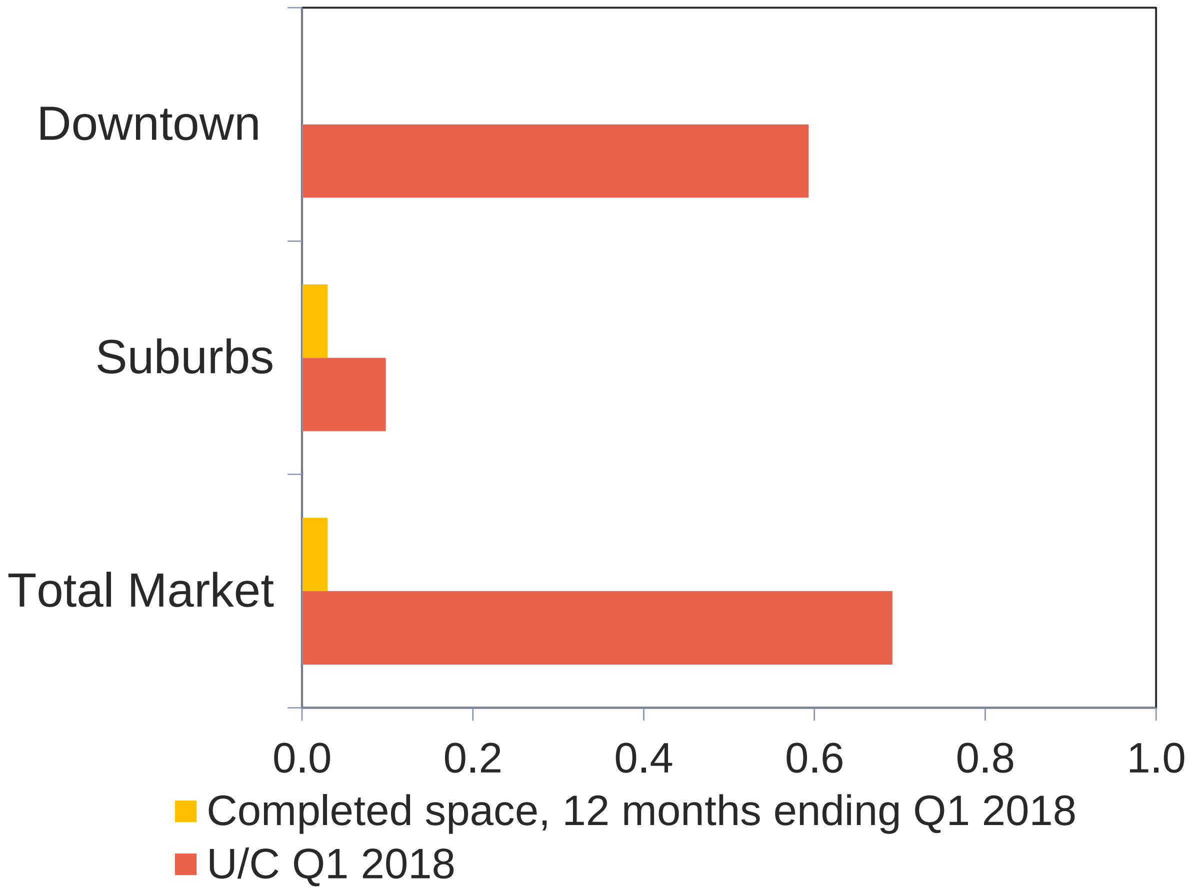
Vacancy Rate



New Supply
(Millions of sq. ft.)



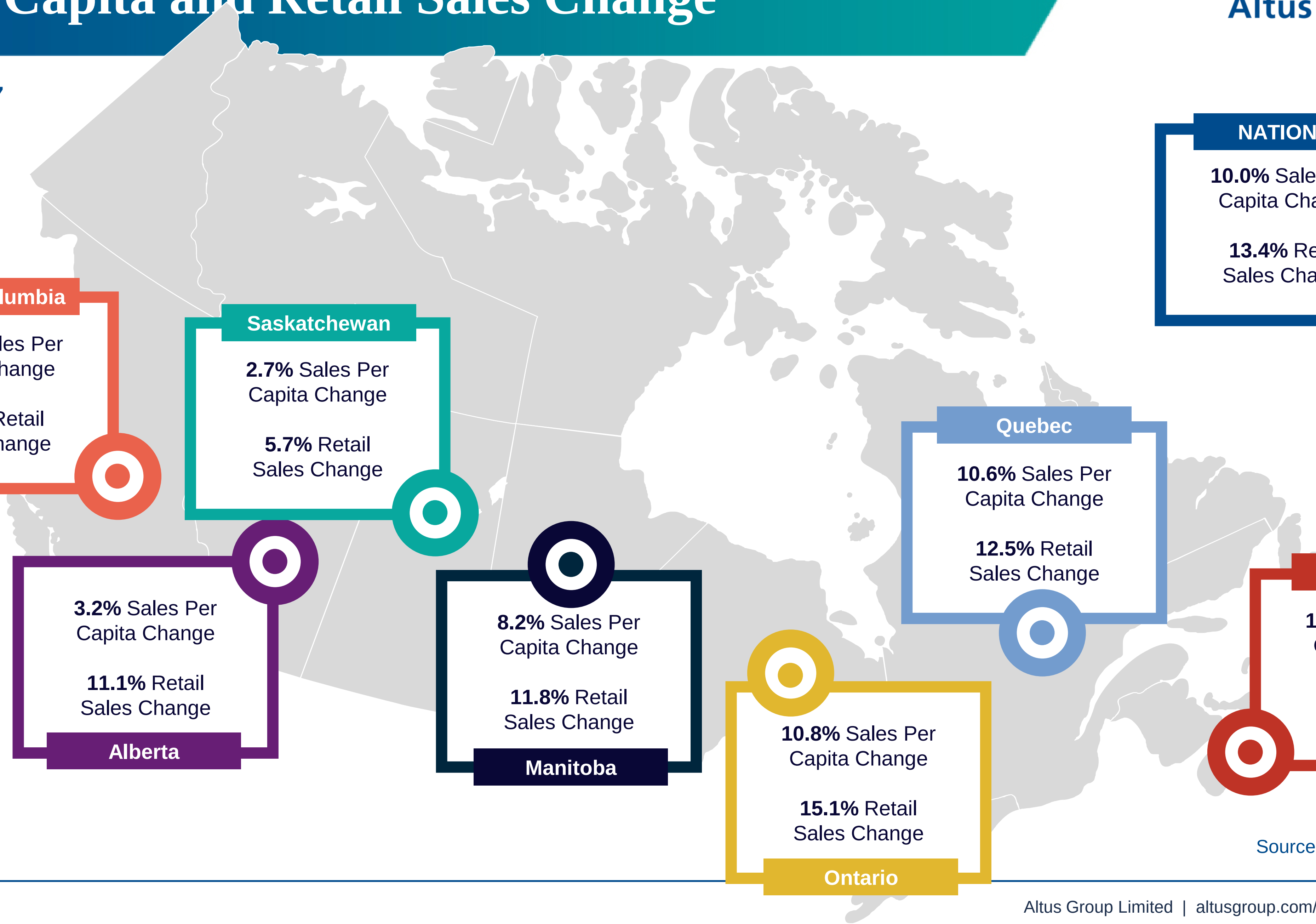
Source: Altus Group

State of the Market

E-commerce Revolution

Sales Per Capita and Retail Sales Change

2015 to 2017



NATIONAL
10.0% Sales Per Capita Change

13.4% Retail Sales Change

British Columbia
14.7% Sales Per Capita Change

17.7% Retail Sales Change

Saskatchewan
2.7% Sales Per Capita Change

5.7% Retail Sales Change

Alberta
3.2% Sales Per Capita Change

11.1% Retail Sales Change

Manitoba
8.2% Sales Per Capita Change

11.8% Retail Sales Change

Ontario
10.8% Sales Per Capita Change

15.1% Retail Sales Change

Quebec
10.6% Sales Per Capita Change

12.5% Retail Sales Change

Nova Scotia
11.5% Sales Per Capita Change

12.9% Retail Sales Change

Source: Statistics Canada

NAFTA getting closer, hopefully… wait and see!

Industrial Vacancy Rates Remain Tight in Vancouver

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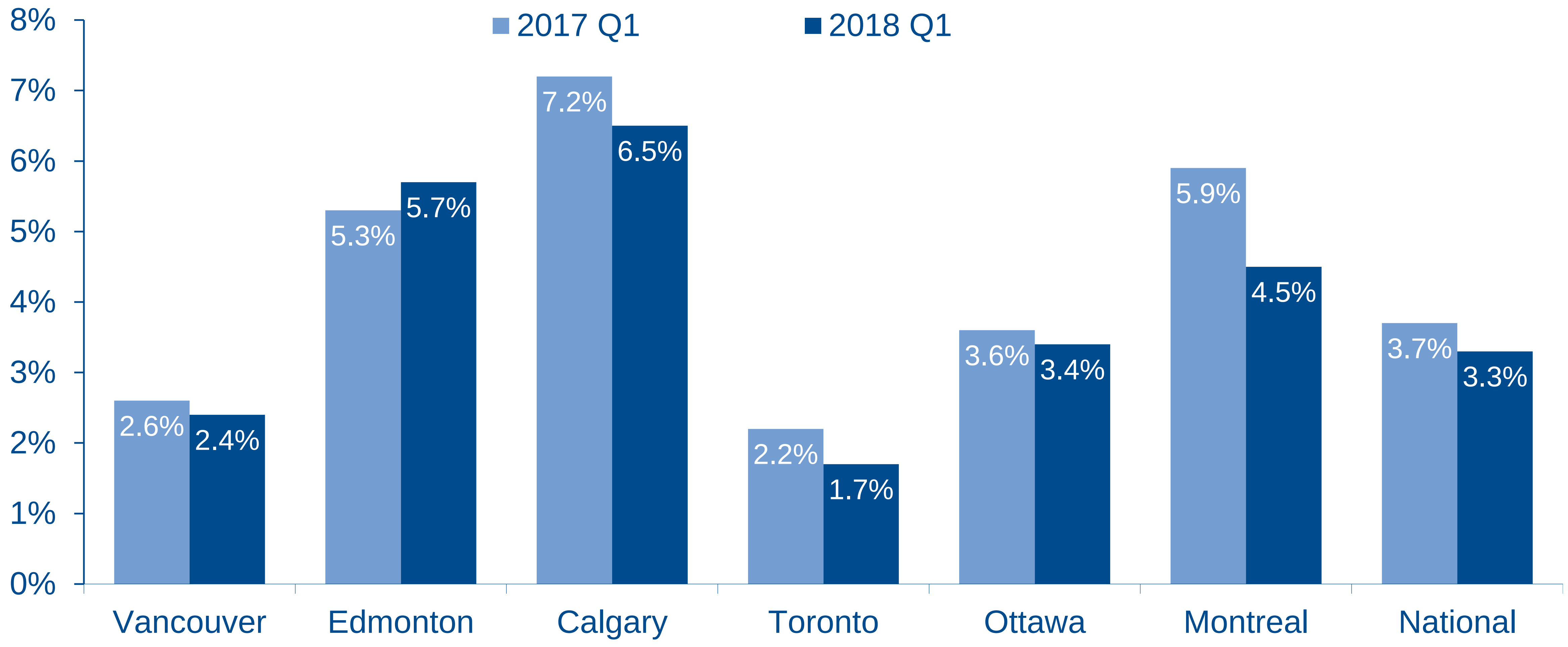
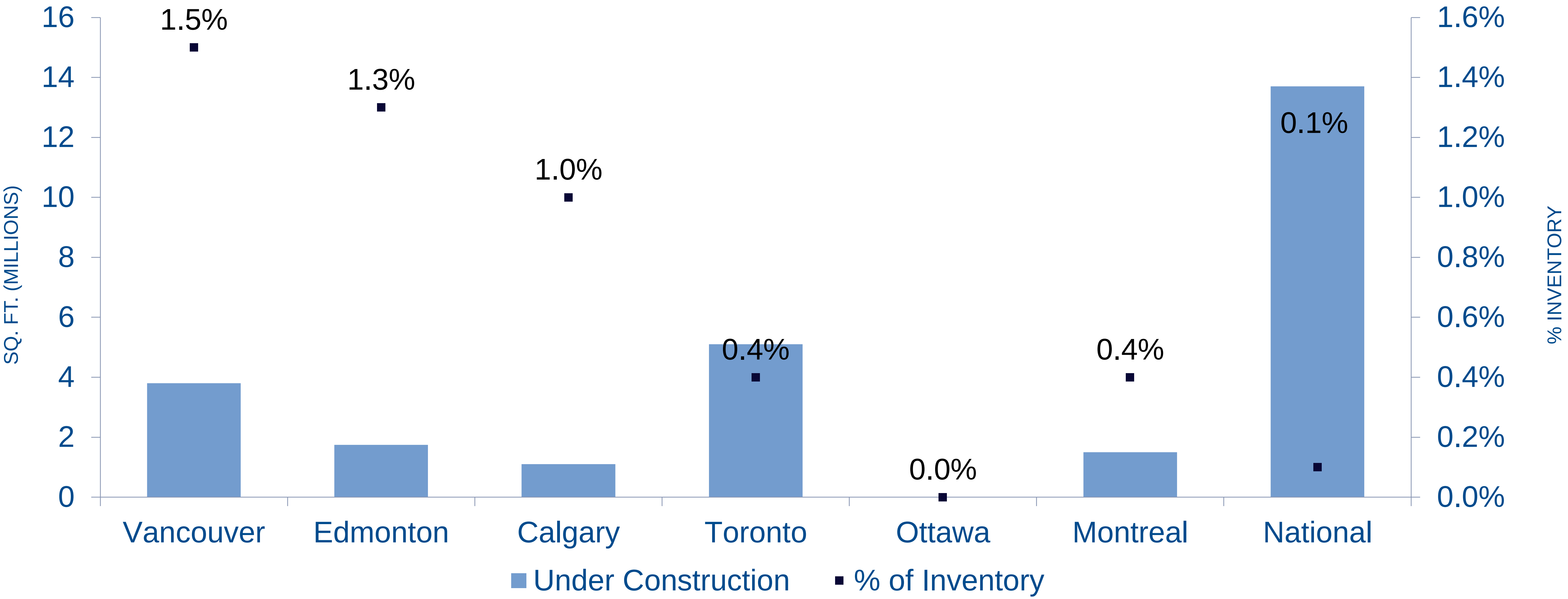


Source: Altus Group

Industrial Under Construction, as % of Inventory Remains Low (Q1 2018)

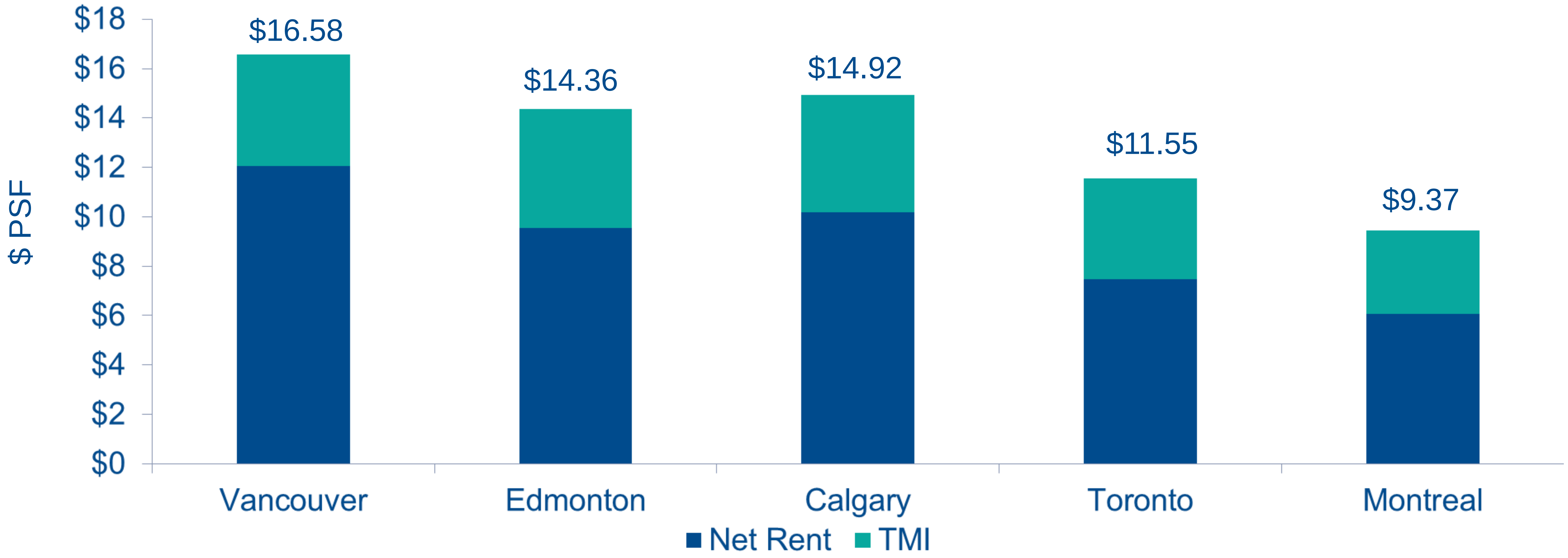
Altus Group



Source: Altus Group

Industrial Rental Rates Continue to Creep Up (Q1 2018)

Altus Group



Source: Altus Group

Edmonton Industrial Market Continues to be Active

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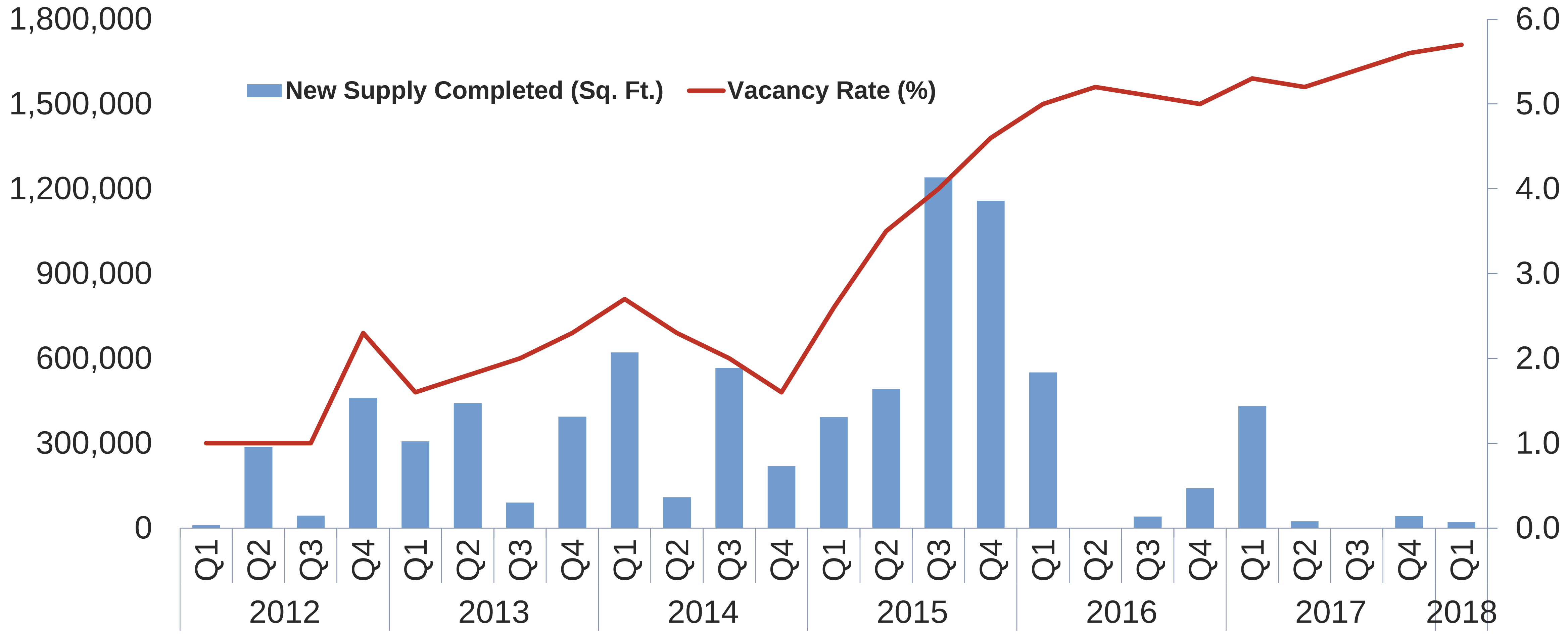
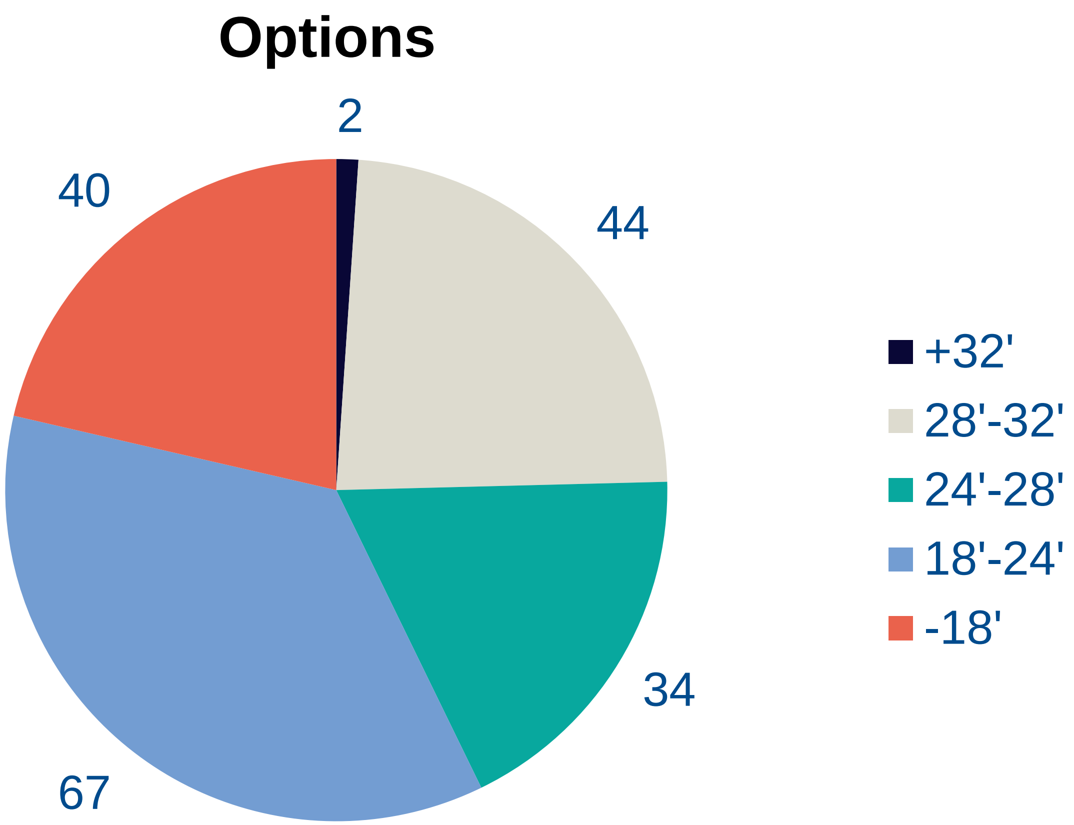
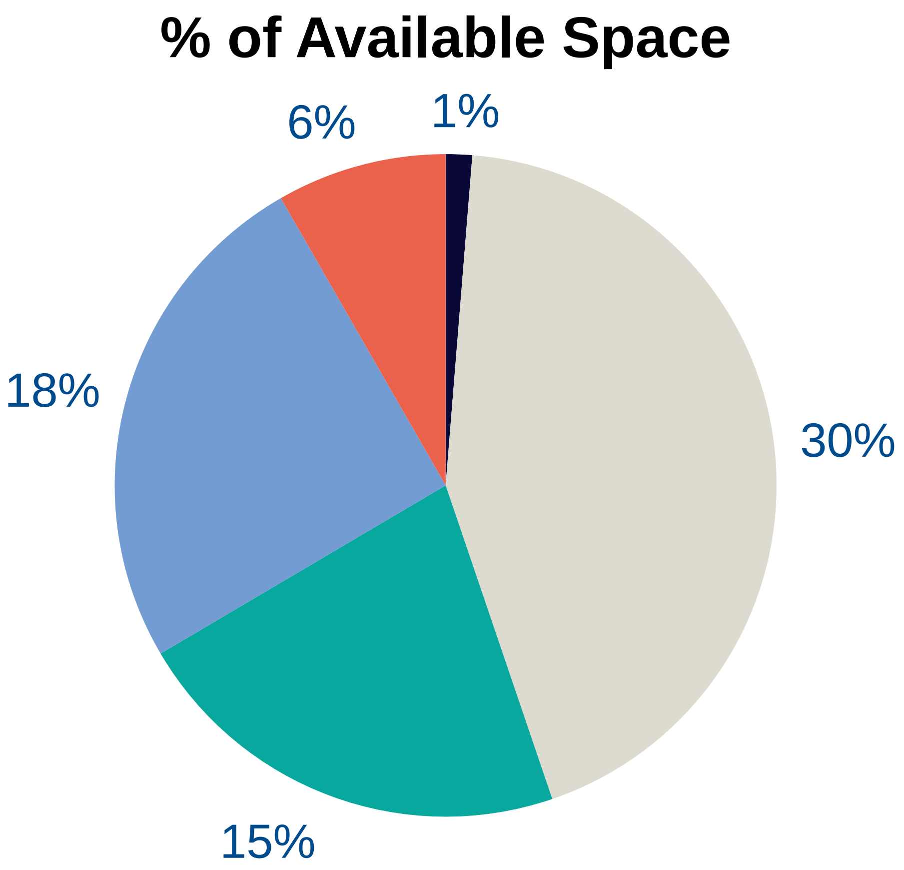


Source: Altus Group

Edmonton Options by Clear Height



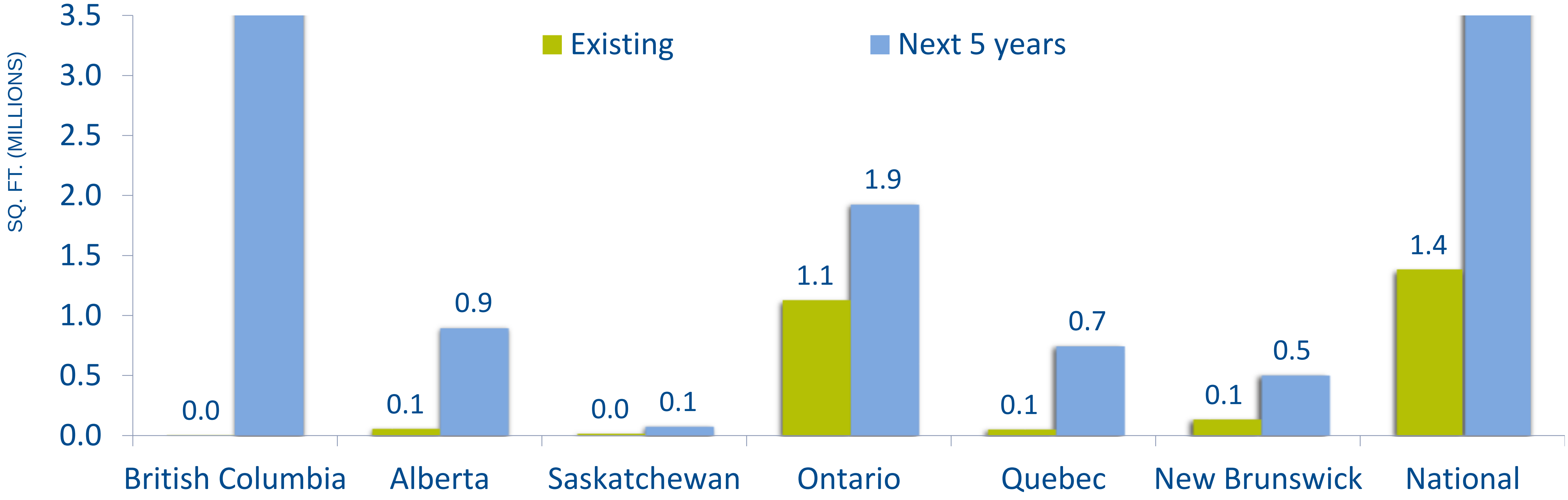


Source: Altus Group

Legalized Cannabis!

“Growing Op” Fast: Cannabis Facilities Across Canada

Altus Group



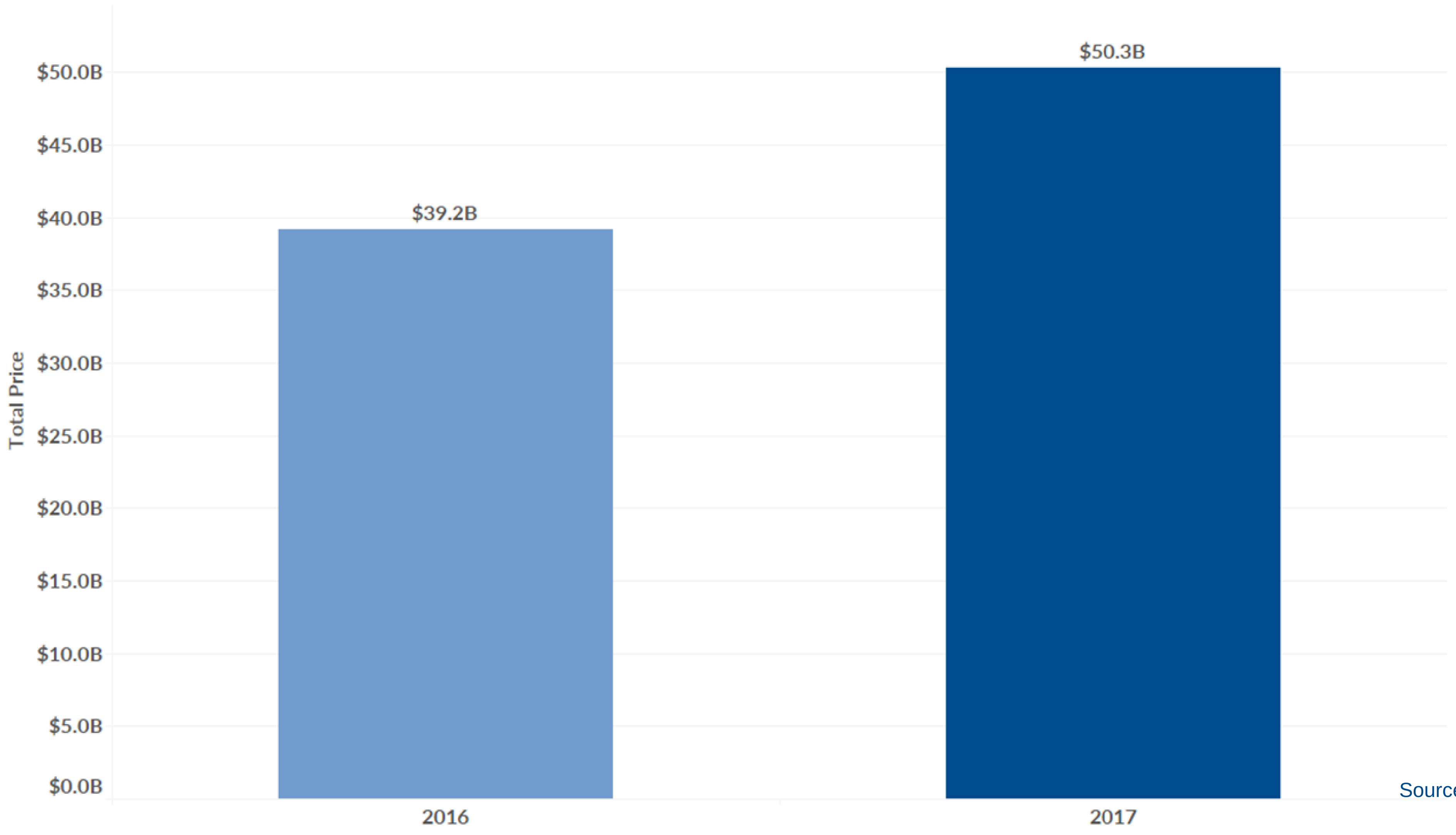
Source: Altus Group

State of the Market

Capital Markets

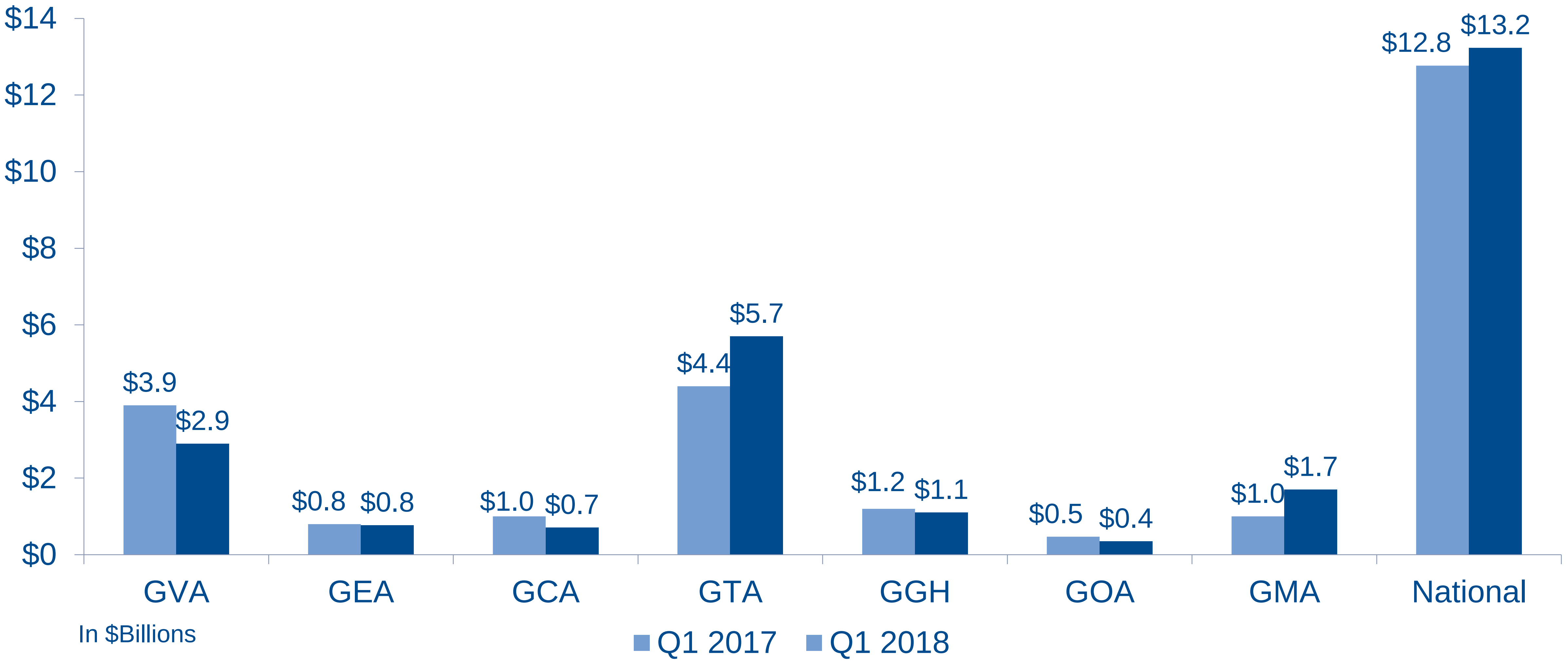
2017 A Record Year for Investment Activity in Canada

Annual National Transaction Activity

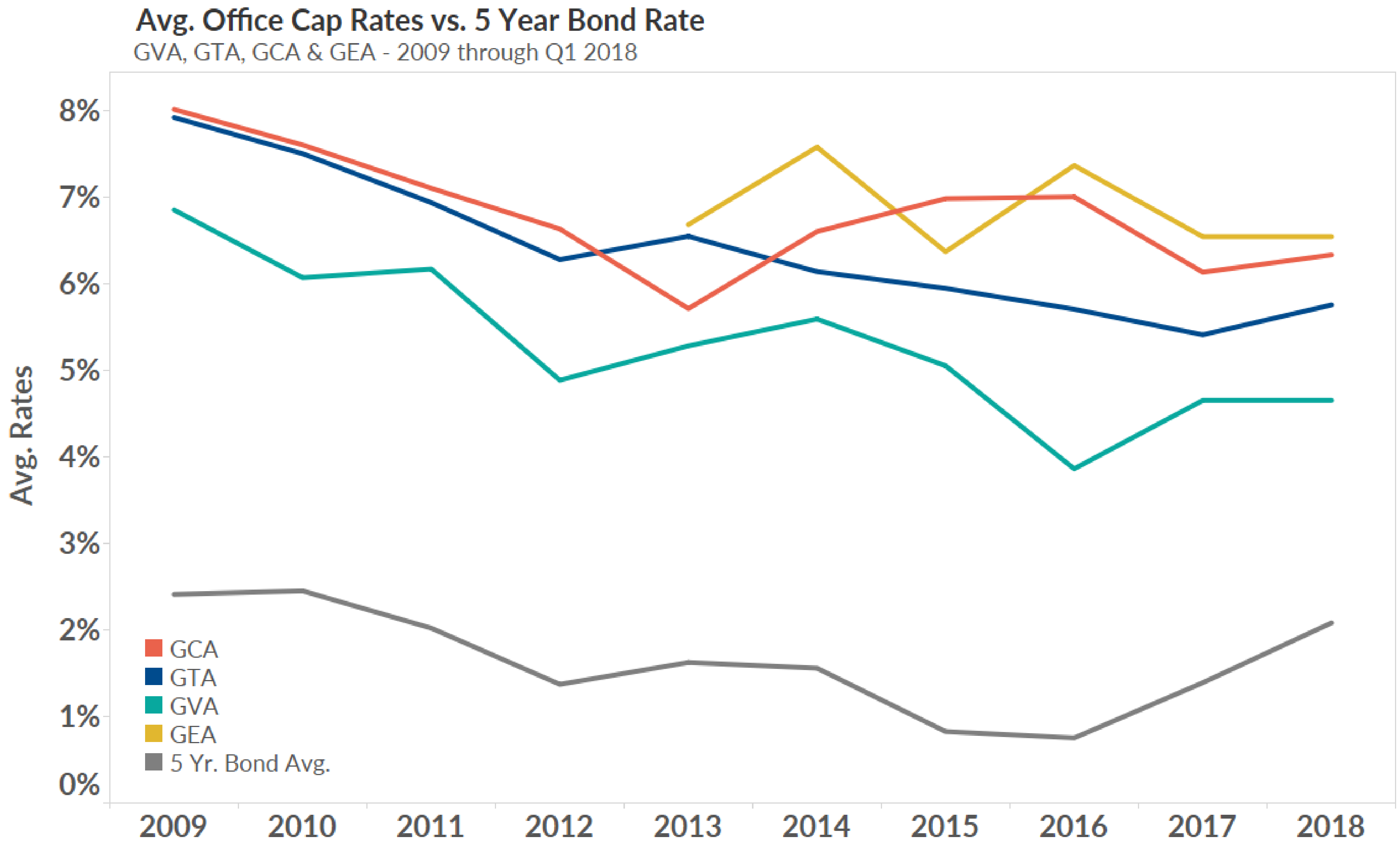


Source: Altus Group

Not a Demand Issue, Supply Issue

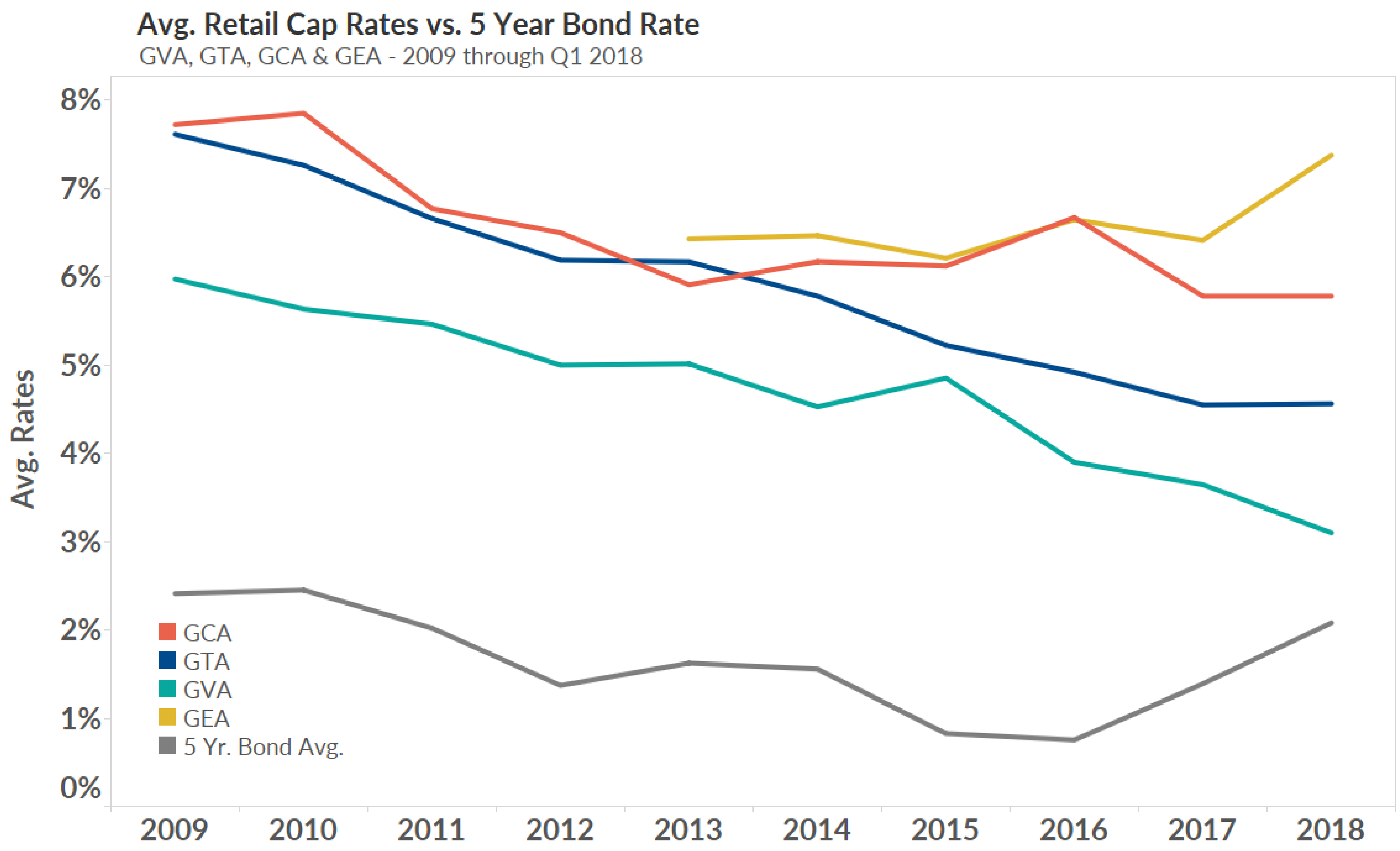


Office Cap Rates Flatten



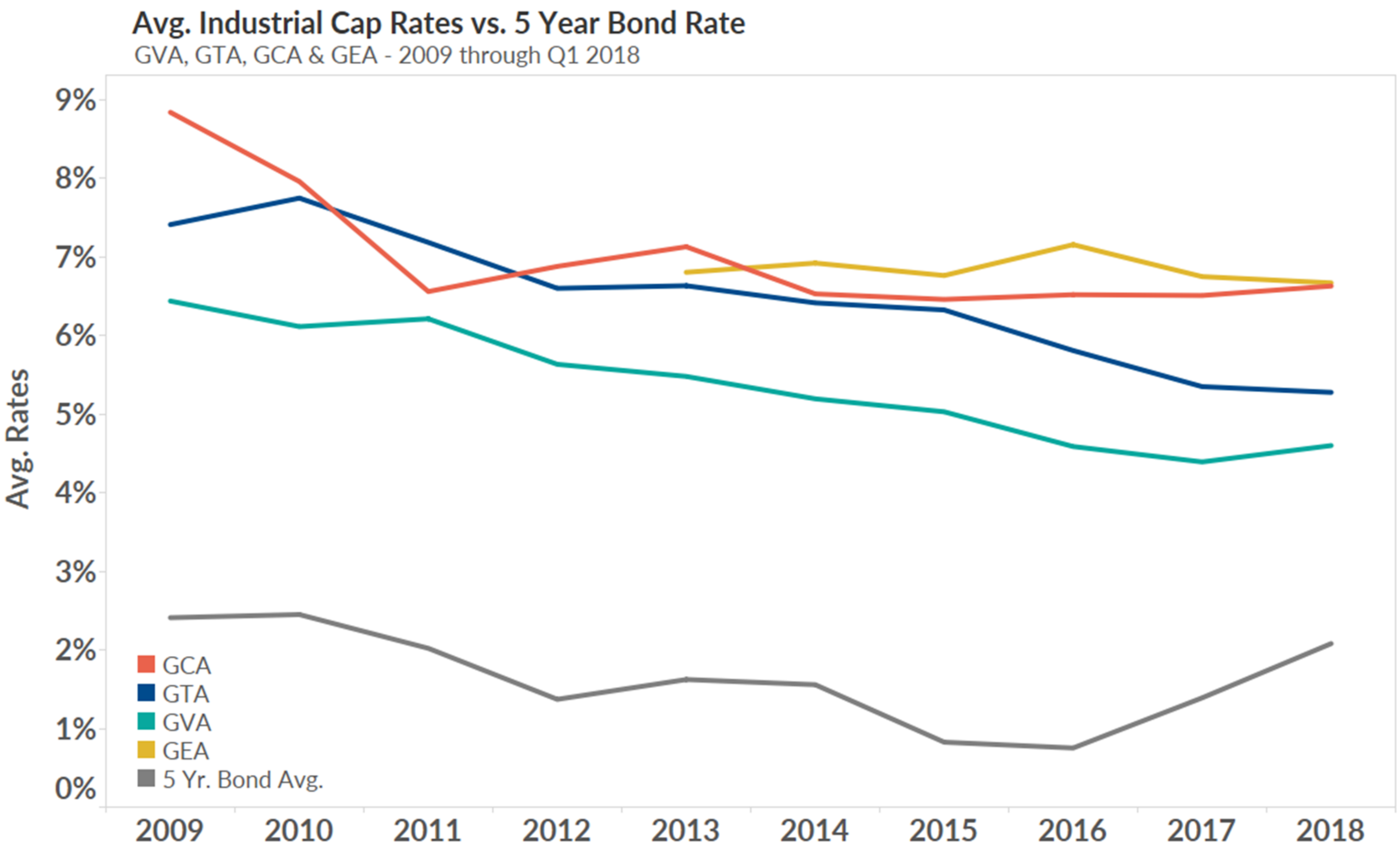
Source: Altus Group

Despite the Noise Retail Remains in Demand



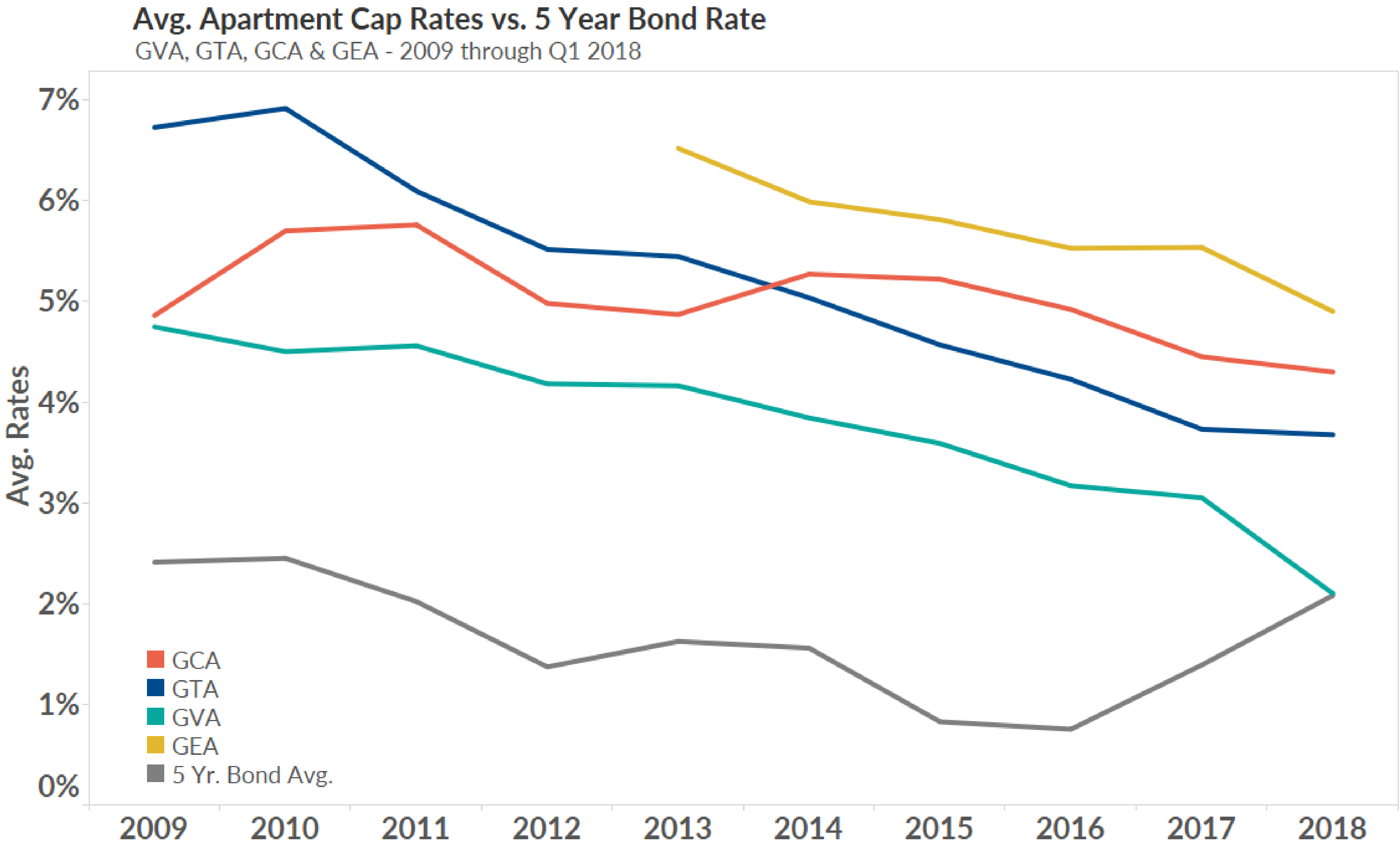
Source: Altus Group

Industrial Continues to be the Safe Choice



Source: Altus Group

Low Vacancy Rates Drive Cap Rates Lower



Source: Altus Group

Edmonton Top Investment Transactions

Date	Sector	Transaction Name	Purchaser(s)	Price
Mar-21-2018	Retail	Westland Market Mall	Cristall Group Investments	$35,493,730
Jan-10-2018	Retail	Westgate Shopping Centre	Crestpoint Real Estate Investments Ltd.	$26,000,000
Feb-16-2018	Industrial	9303 & 9503 & 9703 28th Avenue N.W.	York Realty	$25,000,000
Mar-29-2018	Apartment	Windsor Arms & Capilano Tower	Timbercreek & Greystone	$40,300,000
Mar-8-2018	ICI Land	27048 & 27286 96th Avenue	PIRET	$48,000,000
Apr-4-2018	Residential Land	CNIB Tower	ONE Properties	$8,424,840

Market Overview & Outlook

Matthew Boukall

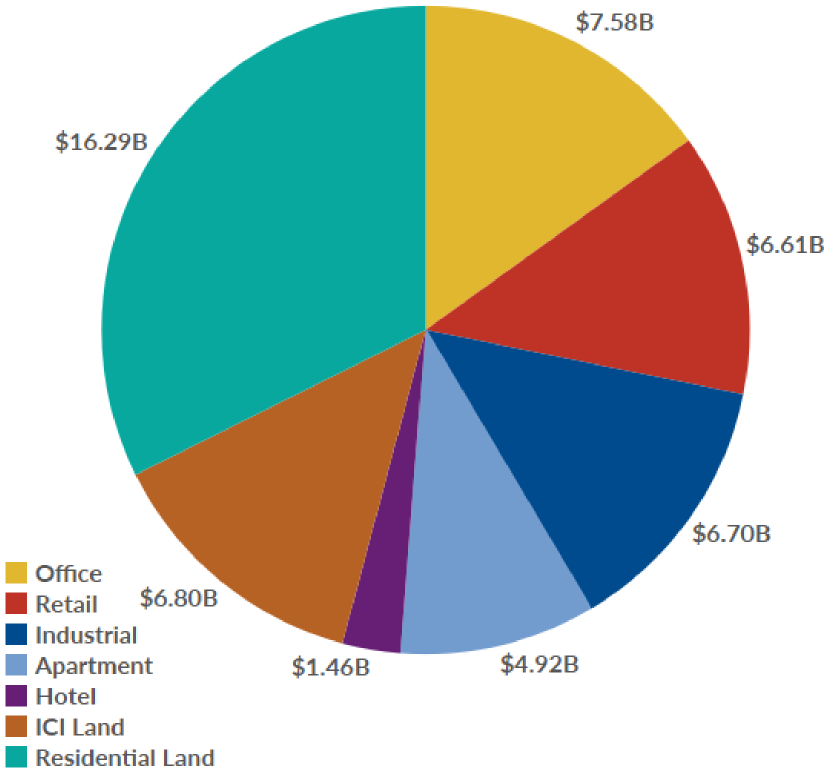
Vice President, Product Management,
Data Solutions, Altus Group

State of the Market

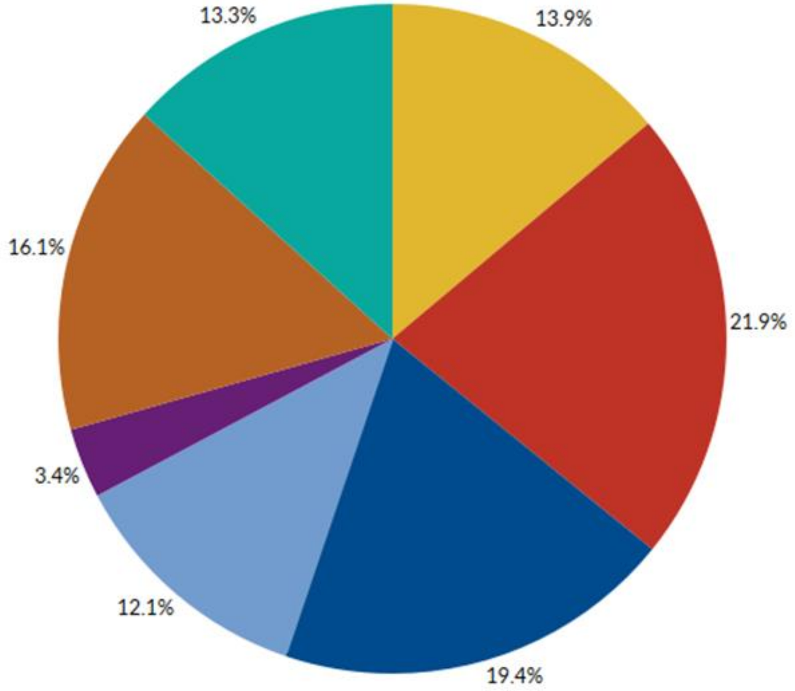
Commercial Transactions

Residential Land Transaction Activity Continues to Dominate Nationally

National

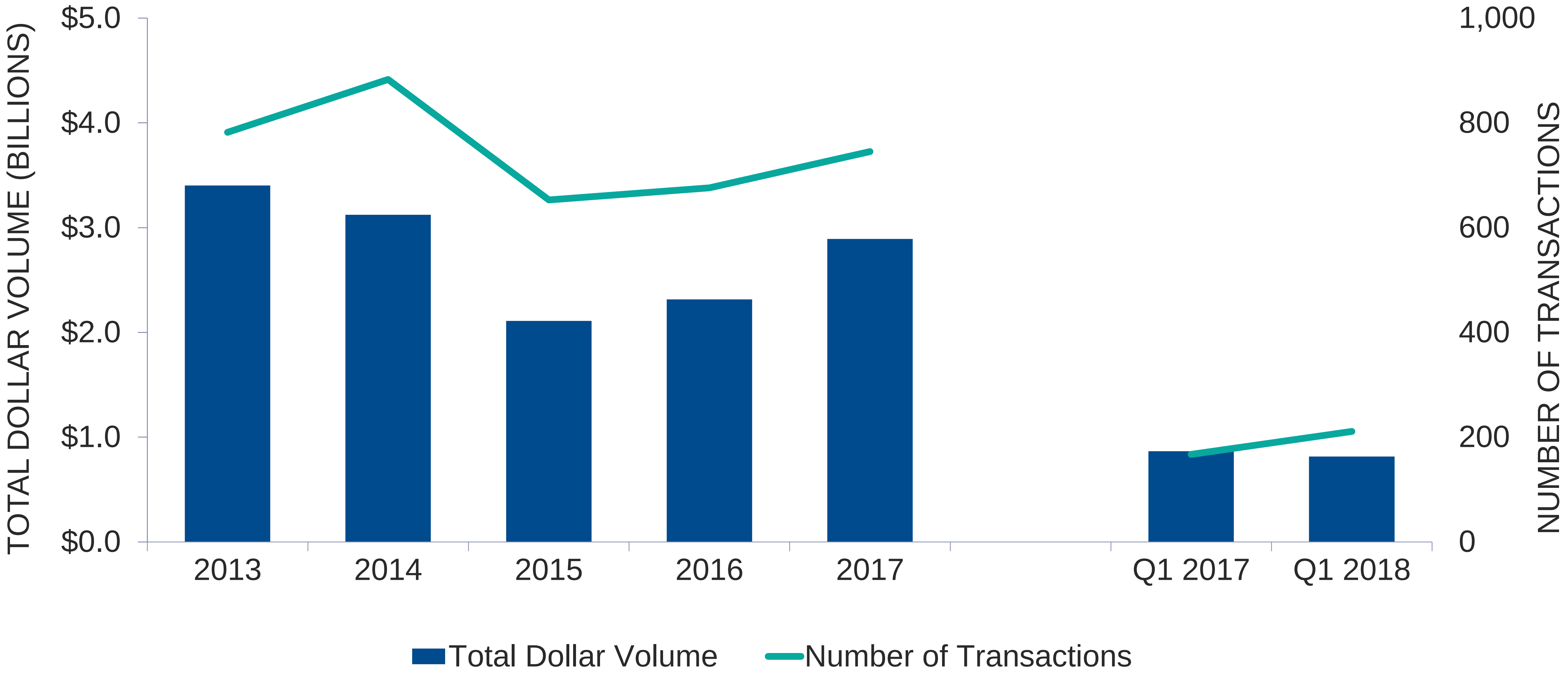


Edmonton Market Area



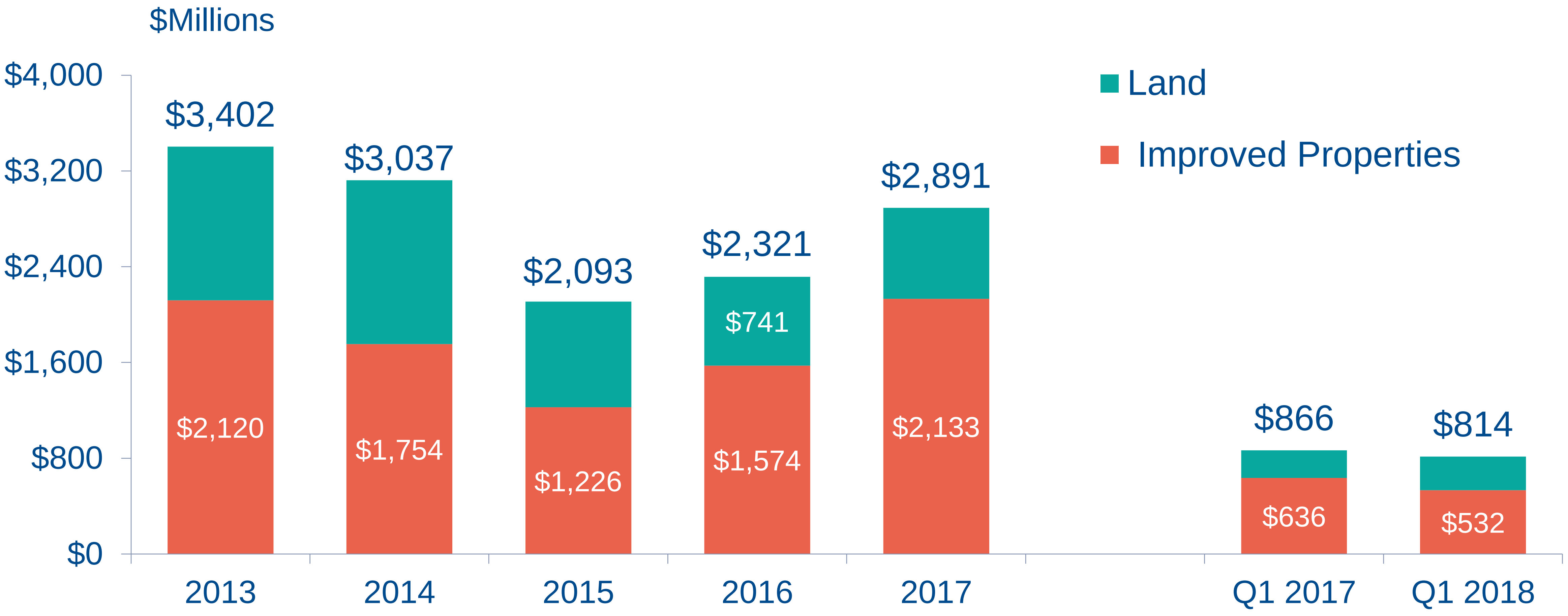
Source: Altus Group

Edmonton Annual Investment Property Sales Transactions



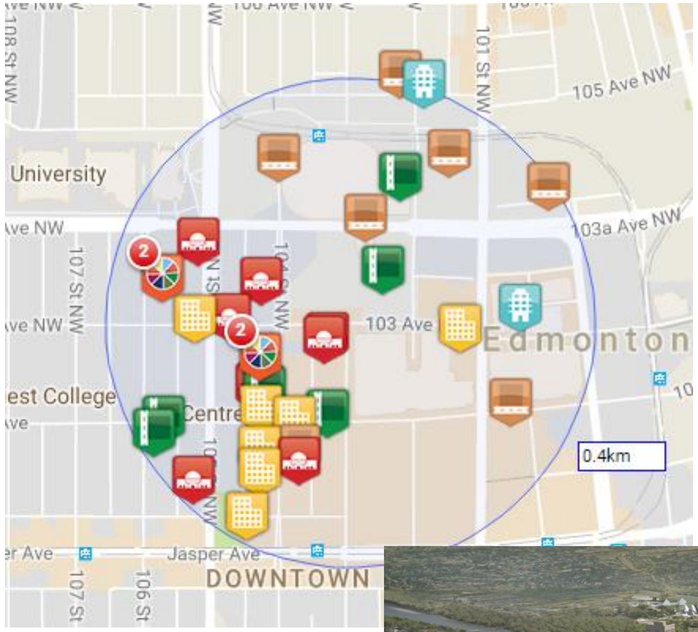
Source: Altus Group

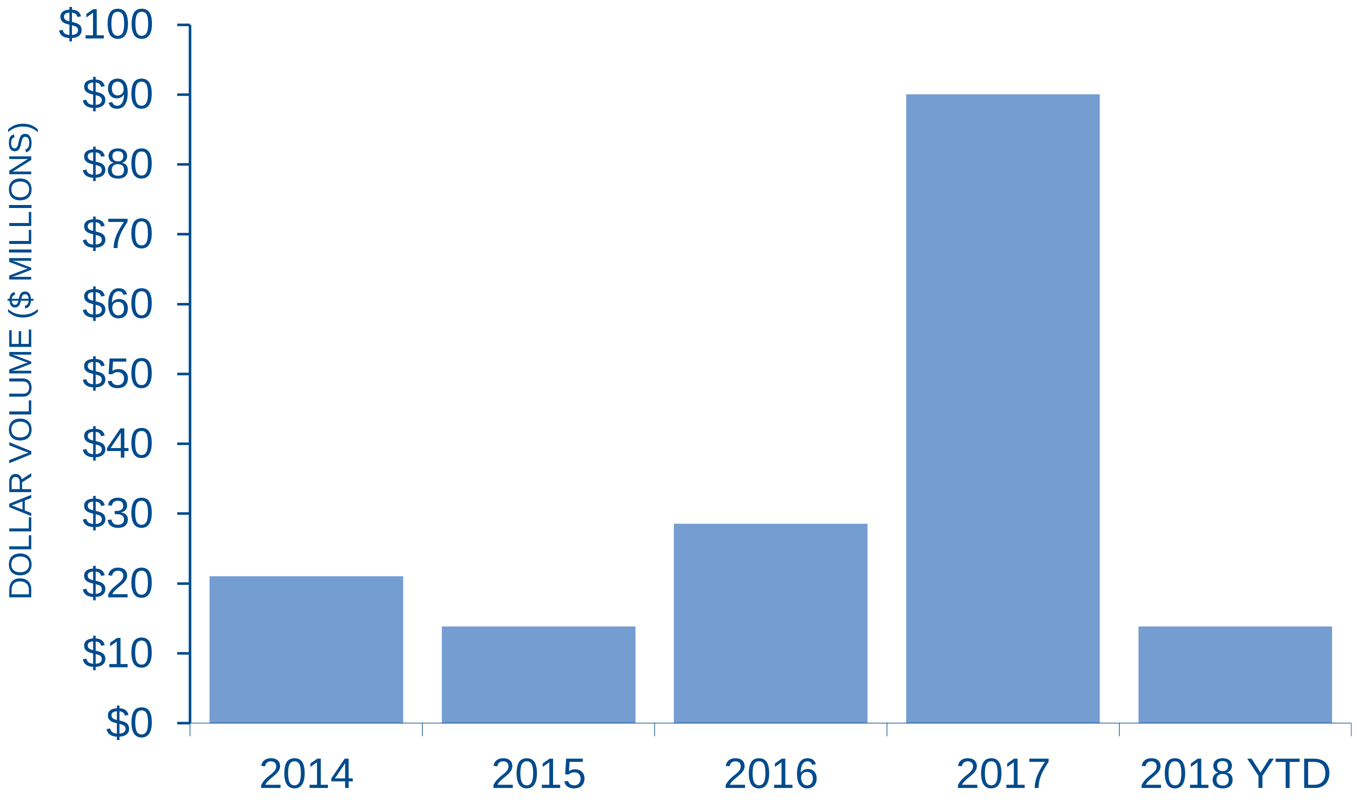
Non-Land/Improved Property Sales Recovering



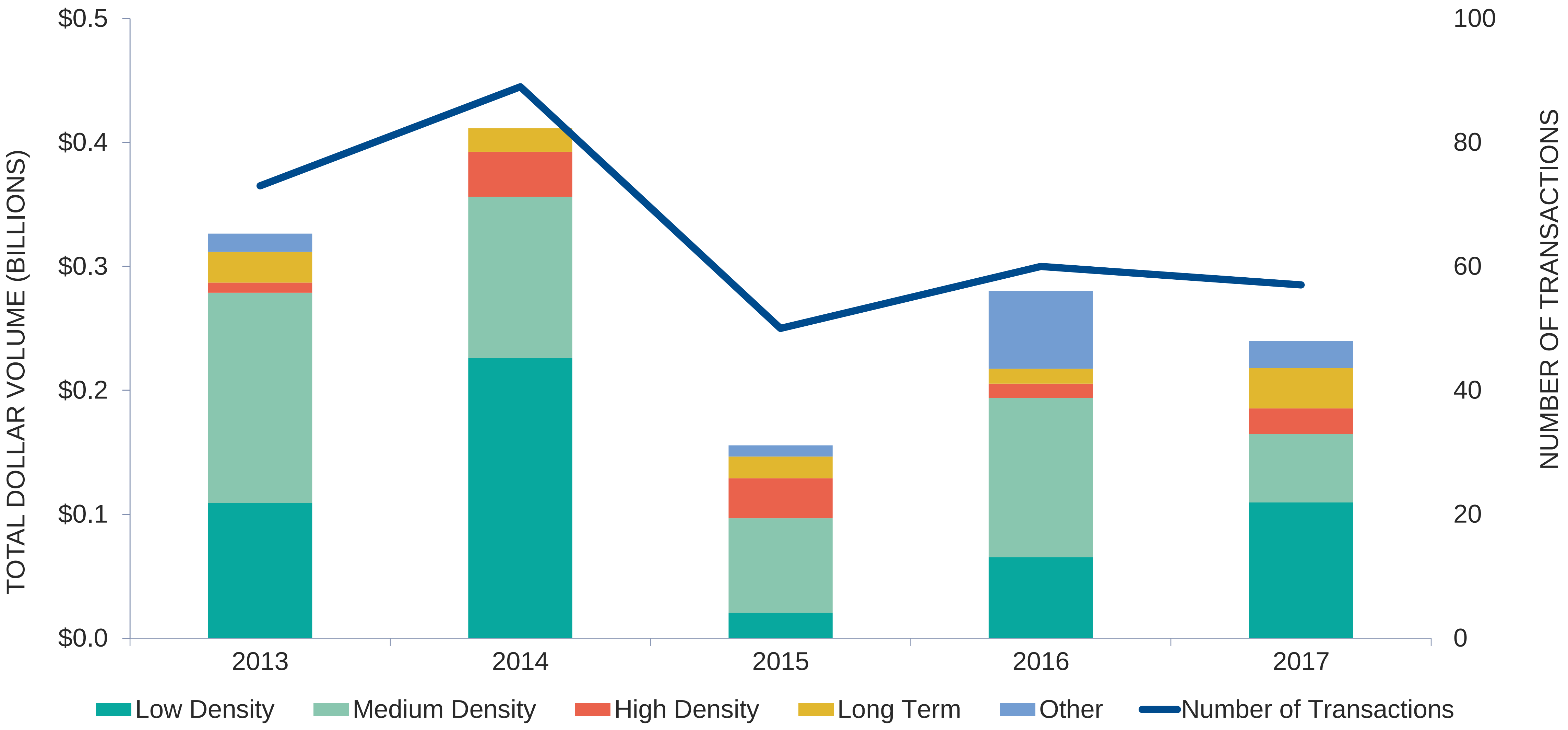
Source: Altus Group

Ice District Success Has been Driving Investment Activity Downtown





Residential Land Transactions by Land Use Highlights the Predominance of Lower Density Land Sales

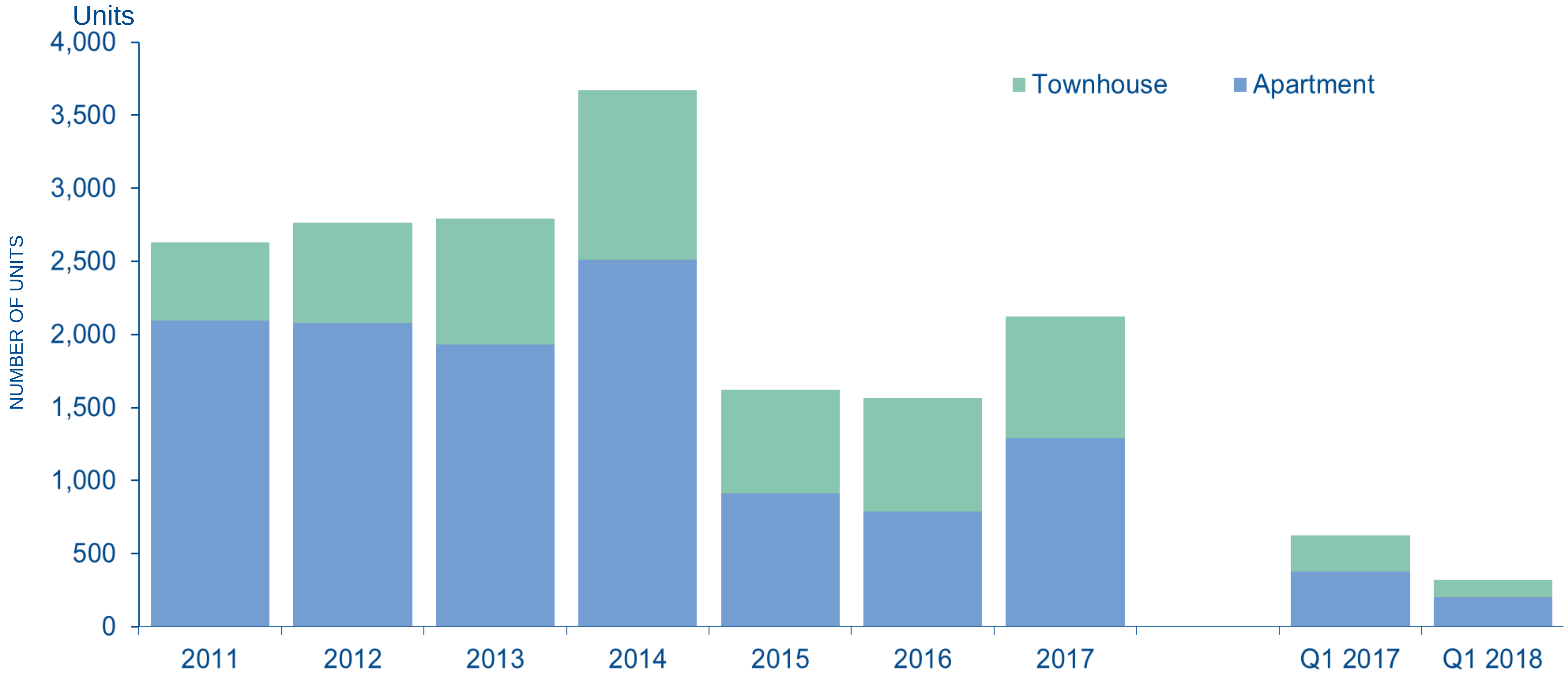


Source: Altus Group

State of the Market

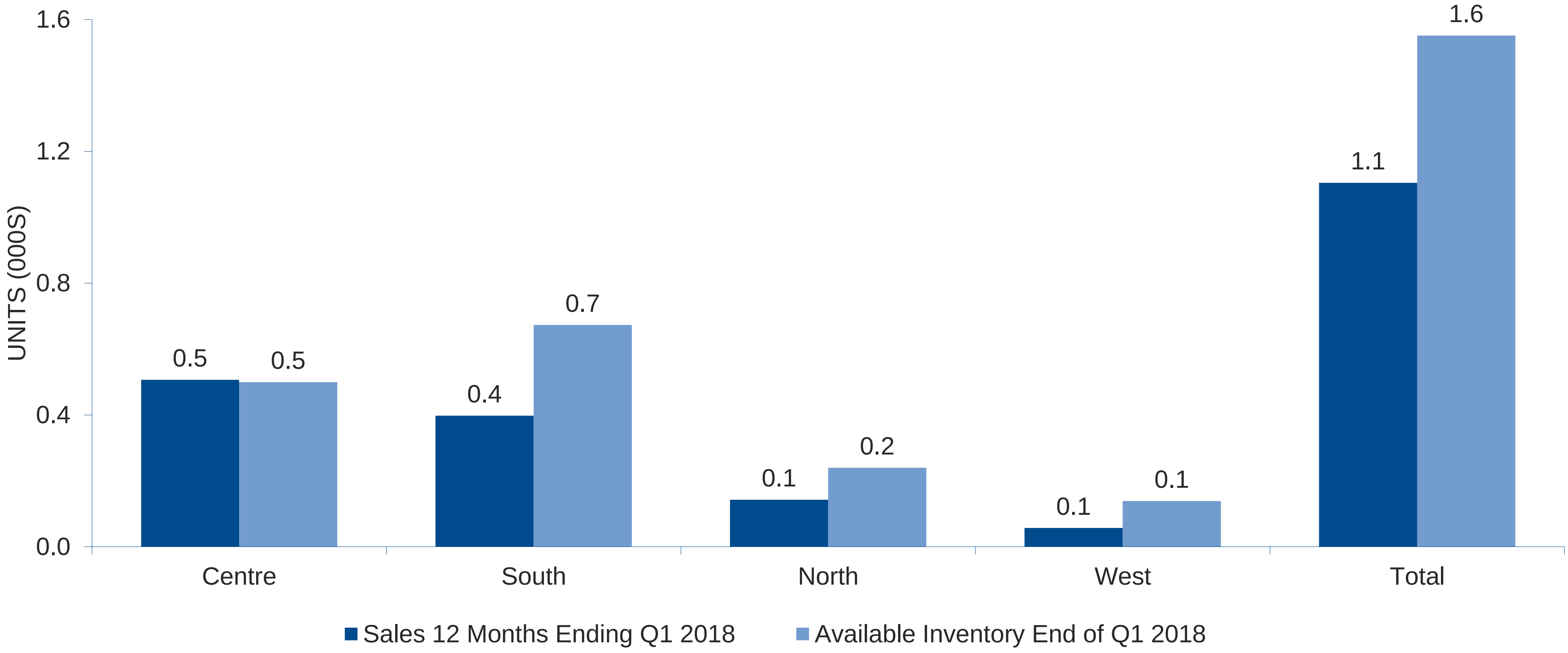
New Homes

Edmonton New Condominium Apartment and Townhouse Sales Started 2018 on a Slow Note



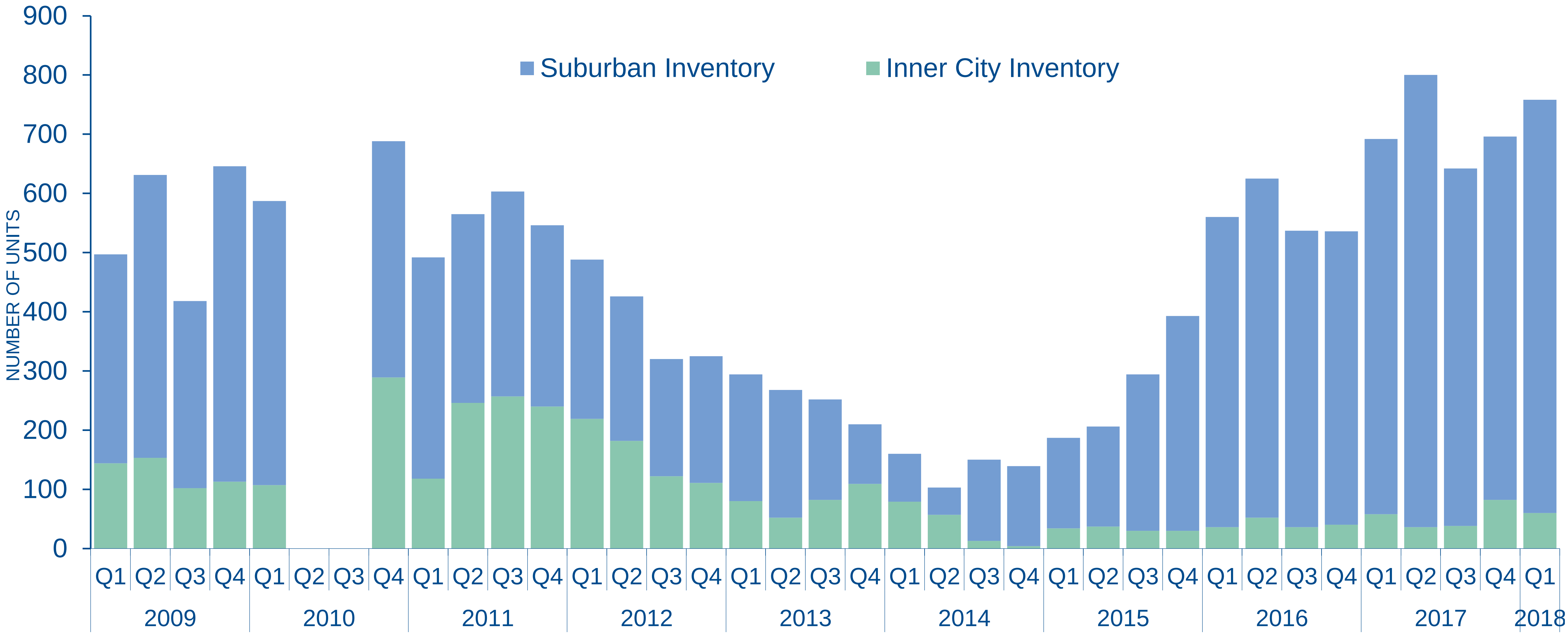
Source: Altus Group

The Inventory Situation from a Supply Perspective Remains Balanced



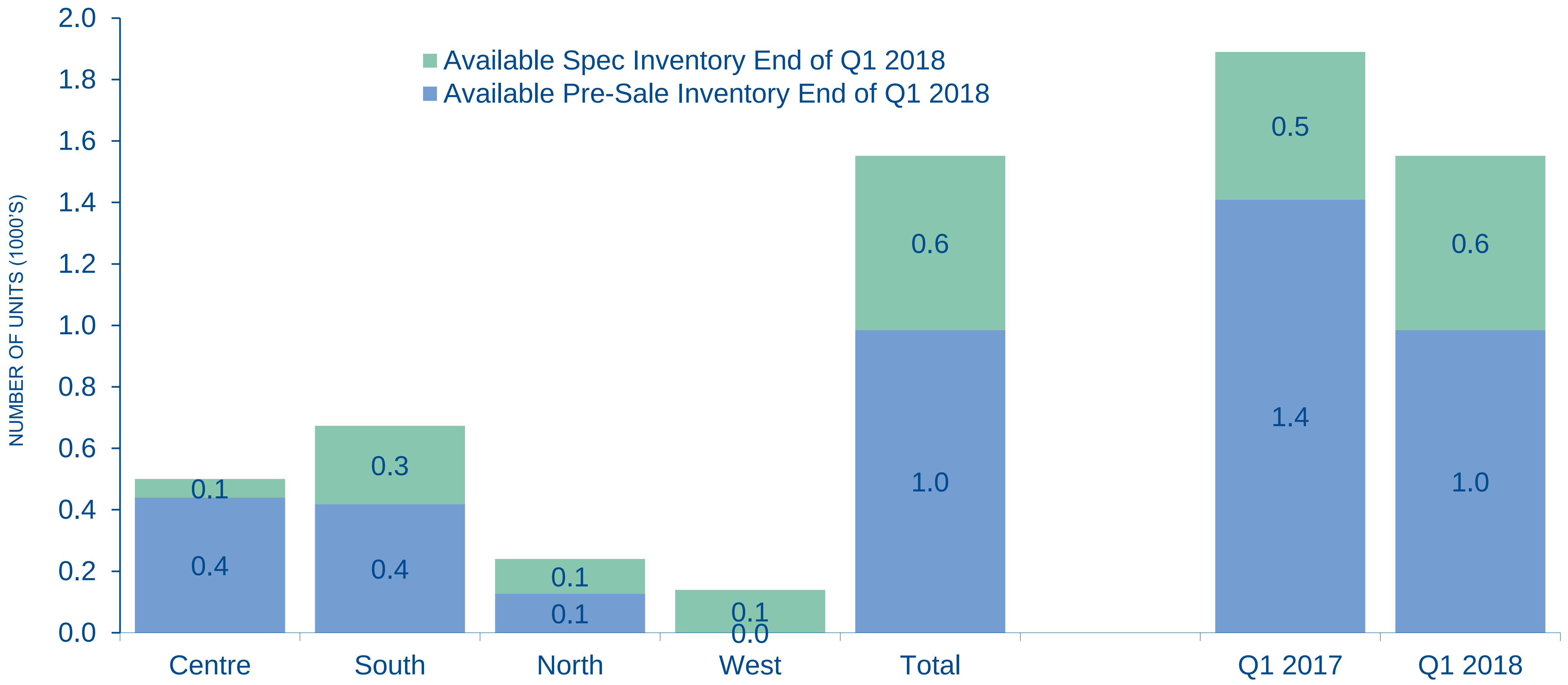
Source: Altus Group

But the Market Will Face Challenges from the High Levels of Completed and Unsold Inventory



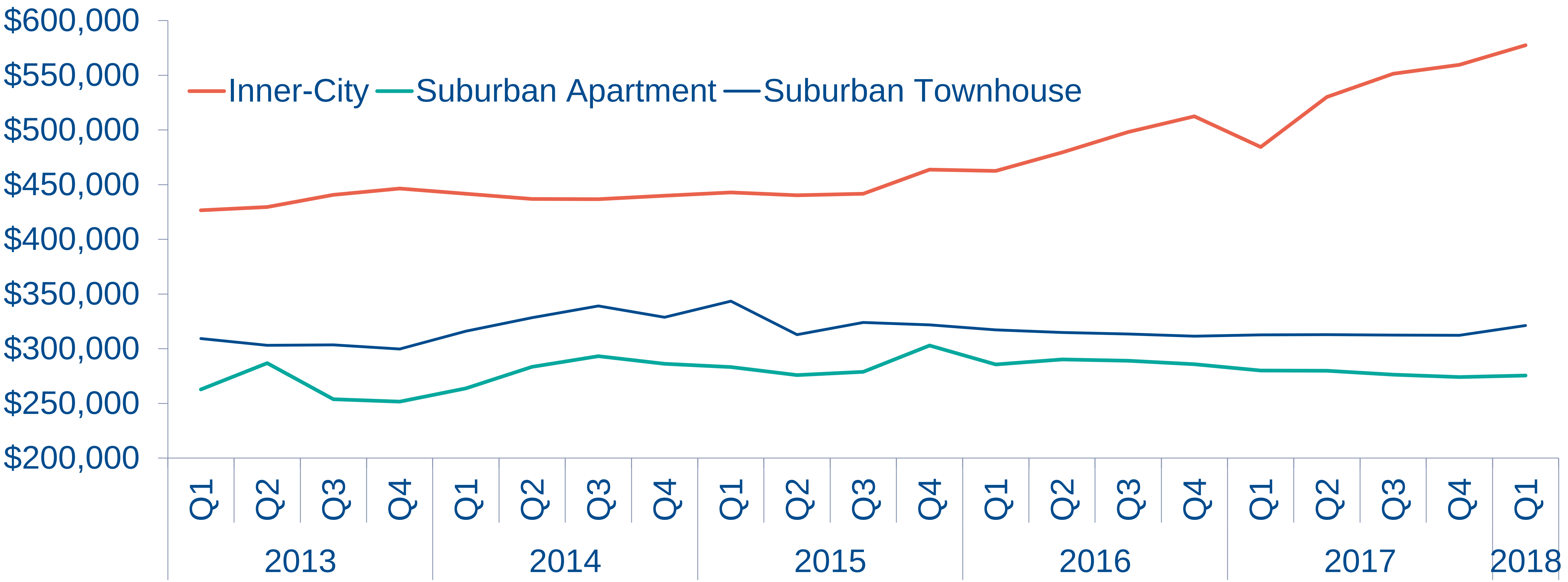
Source: Altus Group

With Spec Inventory Accounting for a Growing Share of the Available Apartment Supply in the Market



Source: Altus Group

Prices Remain Flat in the Suburbs but Have Trended Higher in the Inner-City as New Product has Been Introduced



Source: Altus Group

With Prices Remaining Affordable in both the Suburbs and Inner-City

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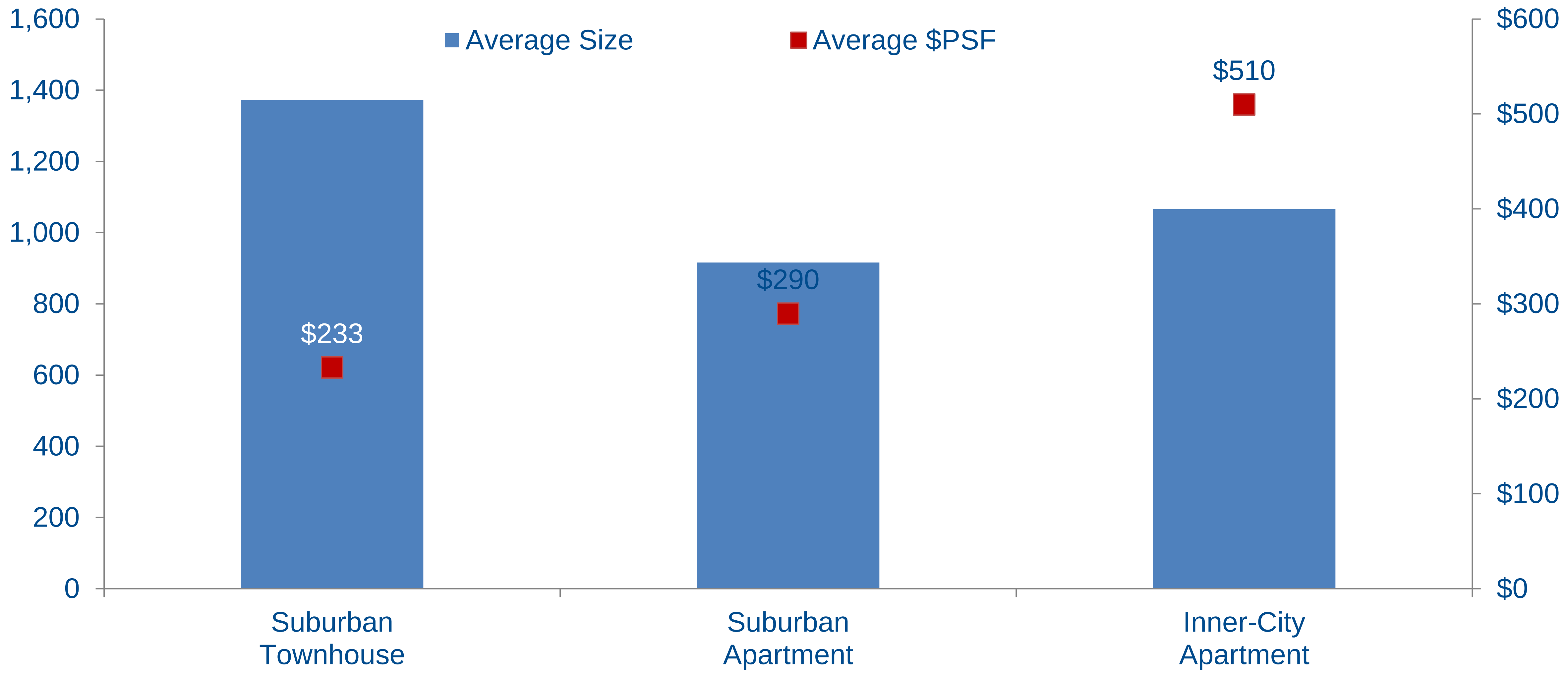
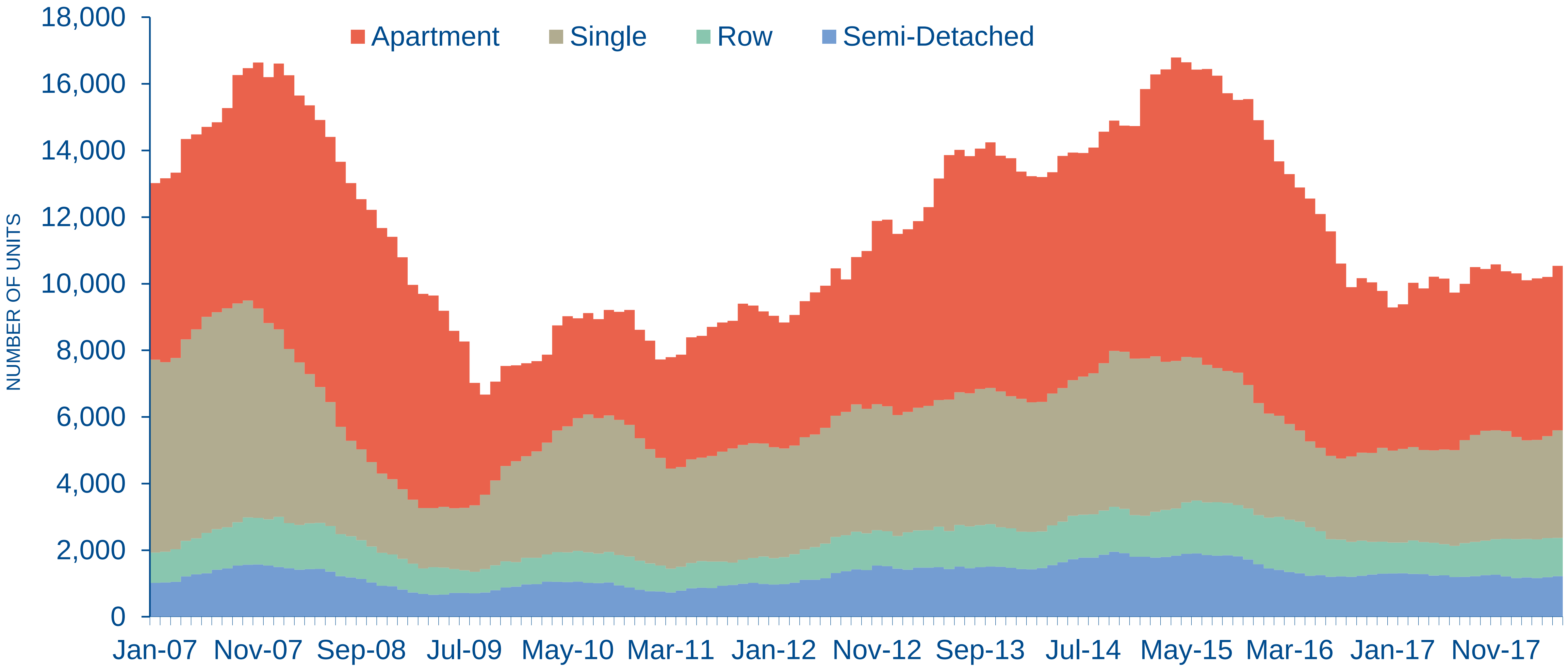


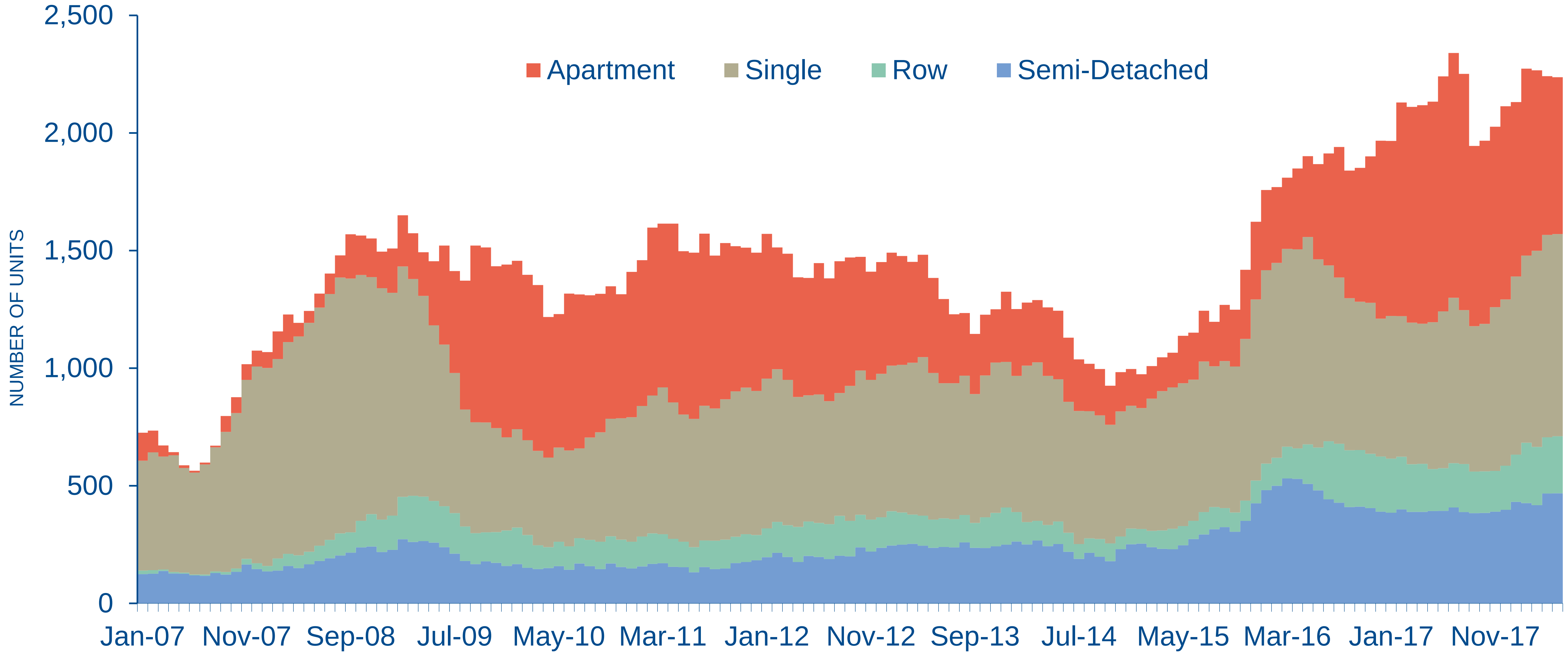
Source: Altus Group

CMHC Reports a Decline in the Number of Units Under Construction



Source: CMHC, HMI Portal

But Completed and Unabsorbed Inventories have Continued to Rise, Particularly in Ground Oriented Housing



Source: CMHC, HMI Portal

Edmonton Resale Inventories Are Also on the Rise

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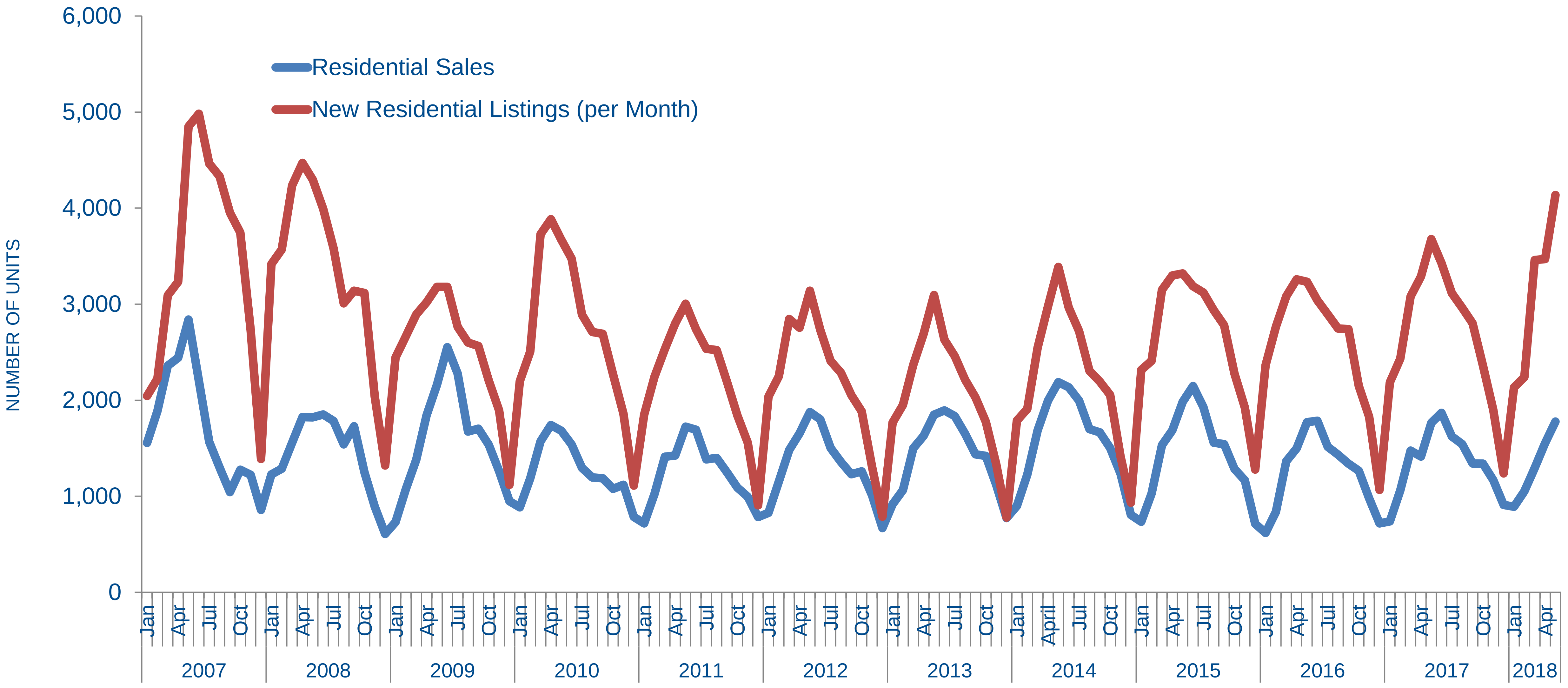


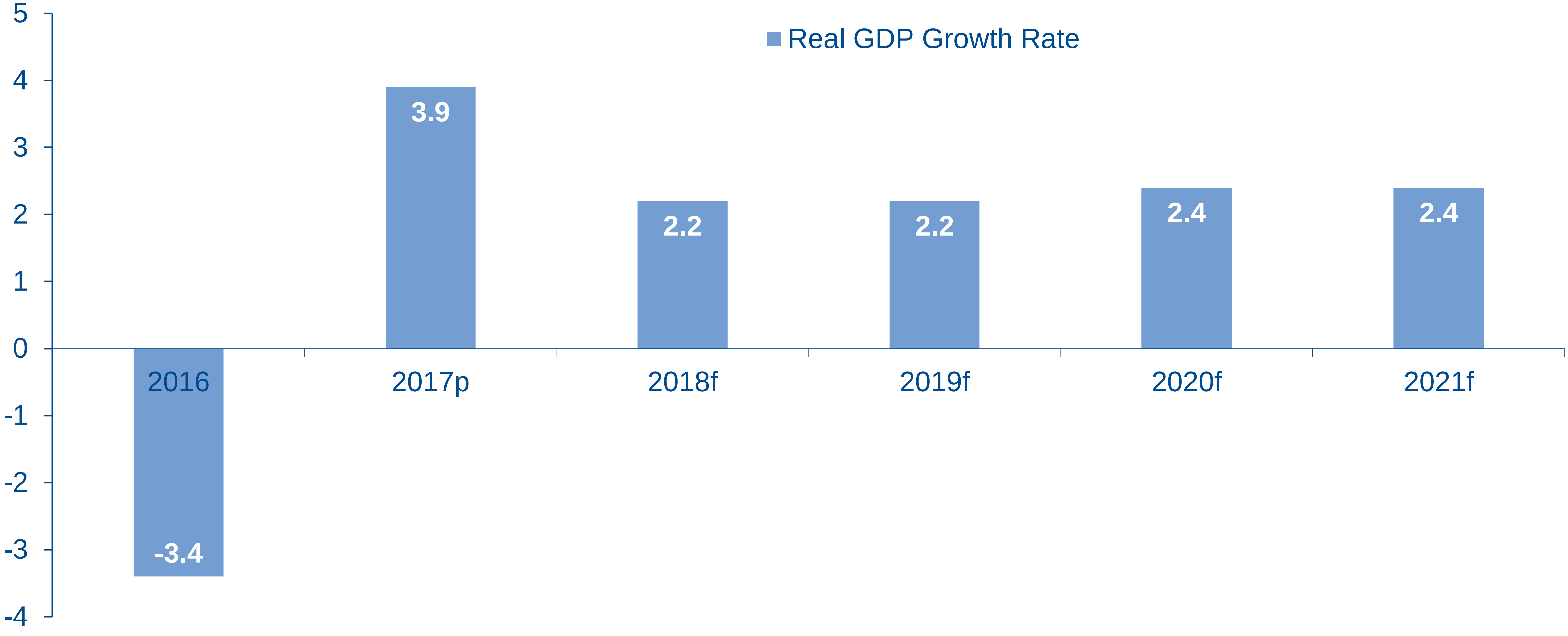
Source: REALTORS Association of Edmonton

Looking Ahead

State of the Market

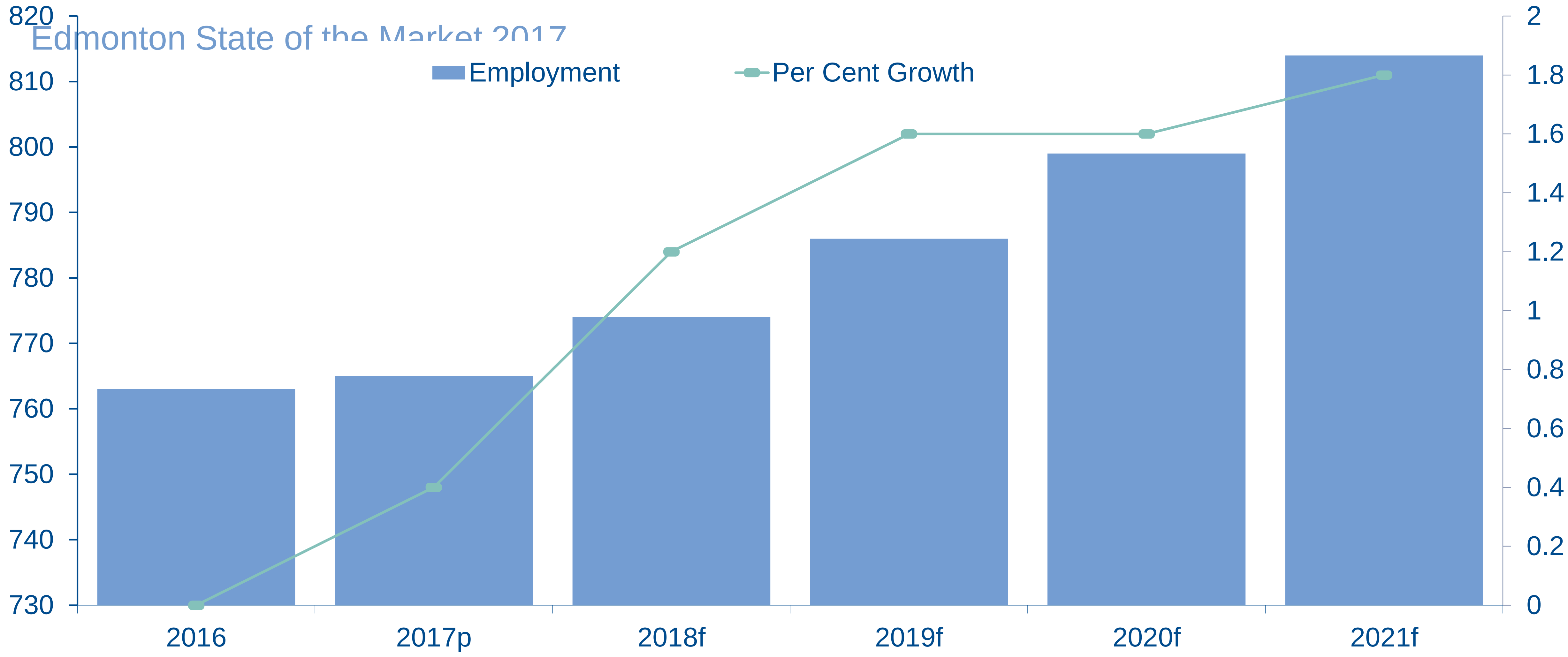
Market Outlook

The Edmonton Market is Forecast to Grow More Slowly Post Recession



Source: Conference Board of Canada, Fall 2017 Outlook

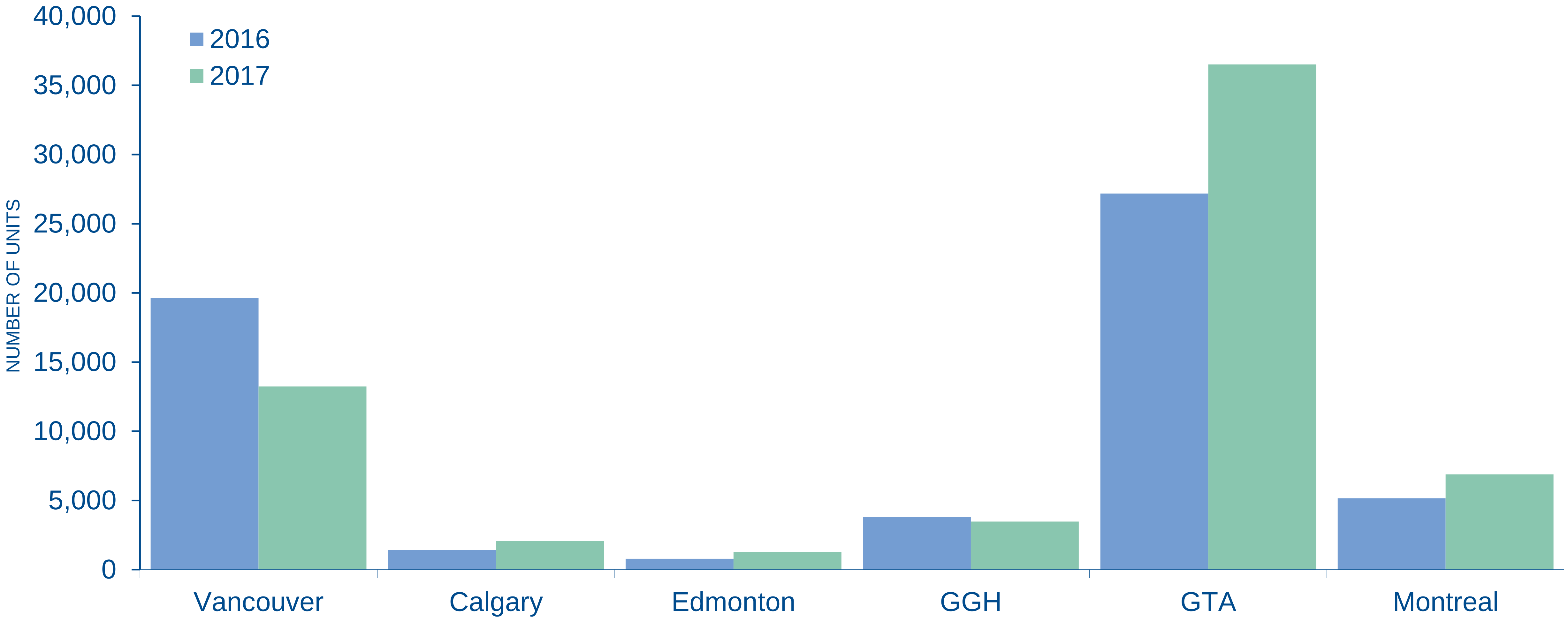
With Growth in the Service Sector Leading Employment Higher in 2017-2021



Source: Conference Board of Canada, Fall 2017 Outlook

National New Homes Apartment Sales Activity Highlights

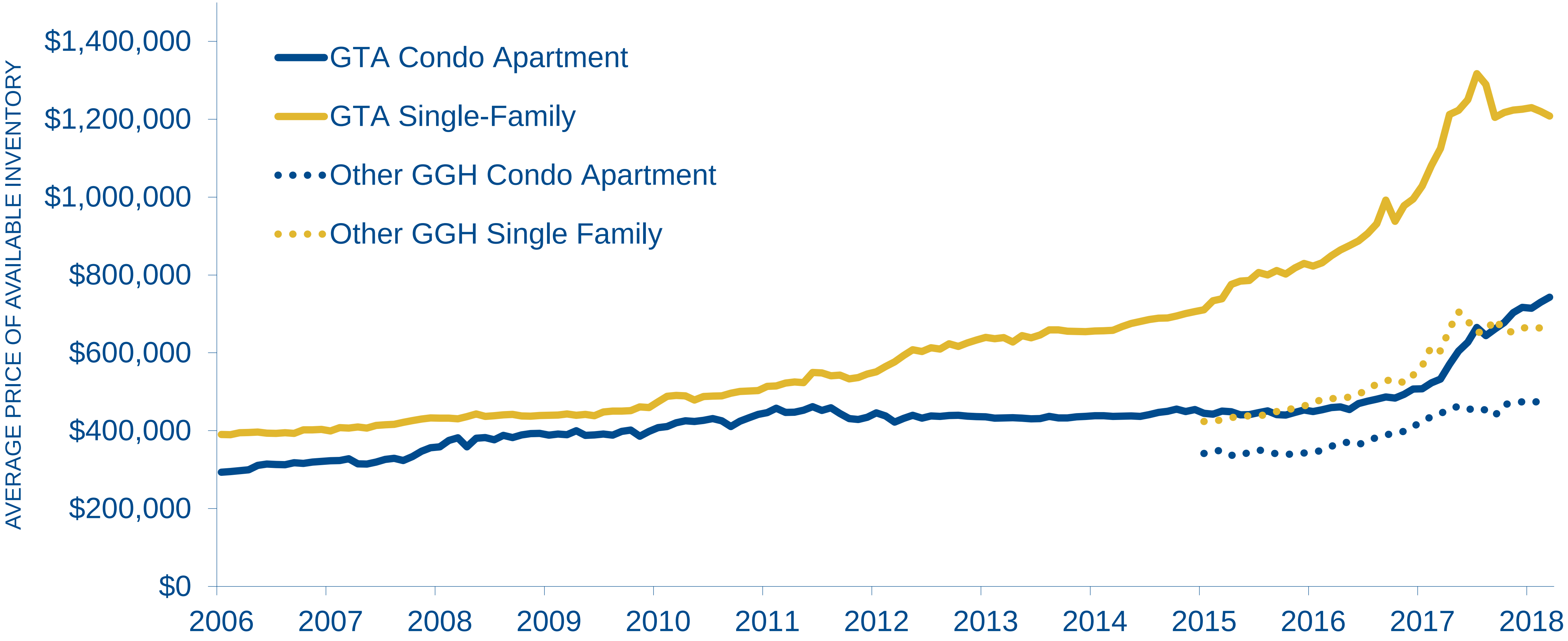
AltusGroup



Source: Altus Group

What OFSI is Trying to Control…

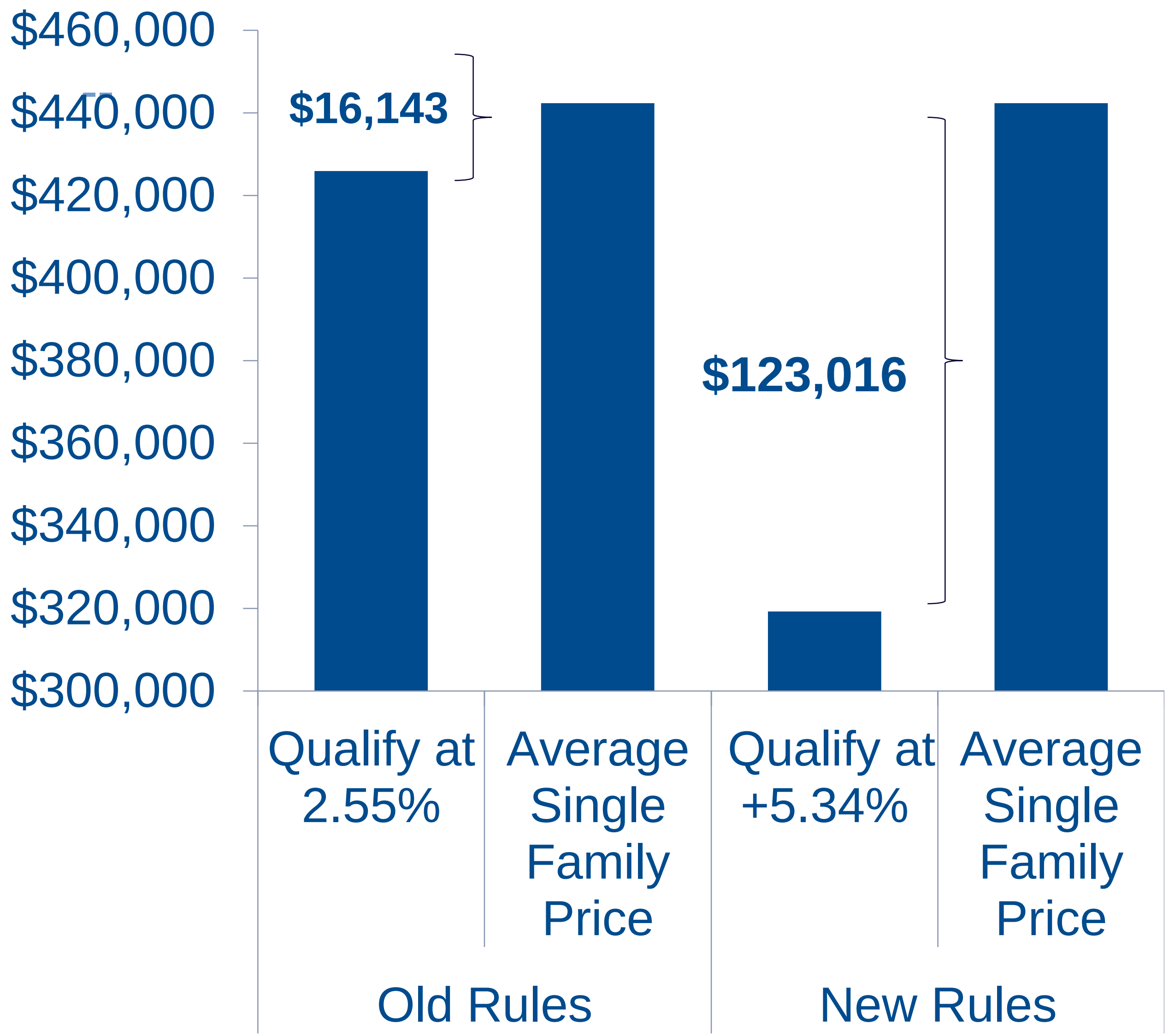
Altus Group



Source: Altus Group

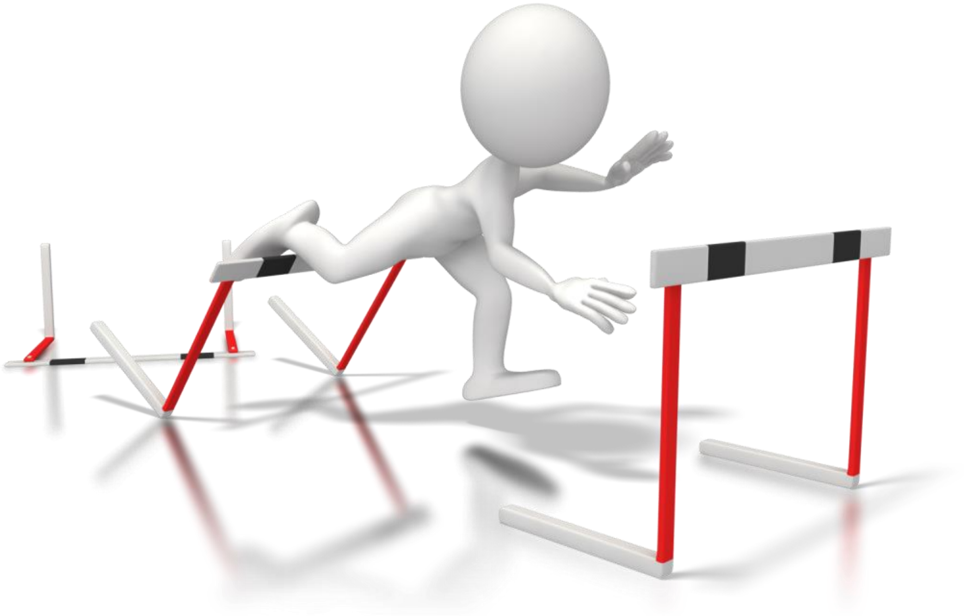
OFSI Mortgage Approval Changes Are Impacting Buyers

Altus Group



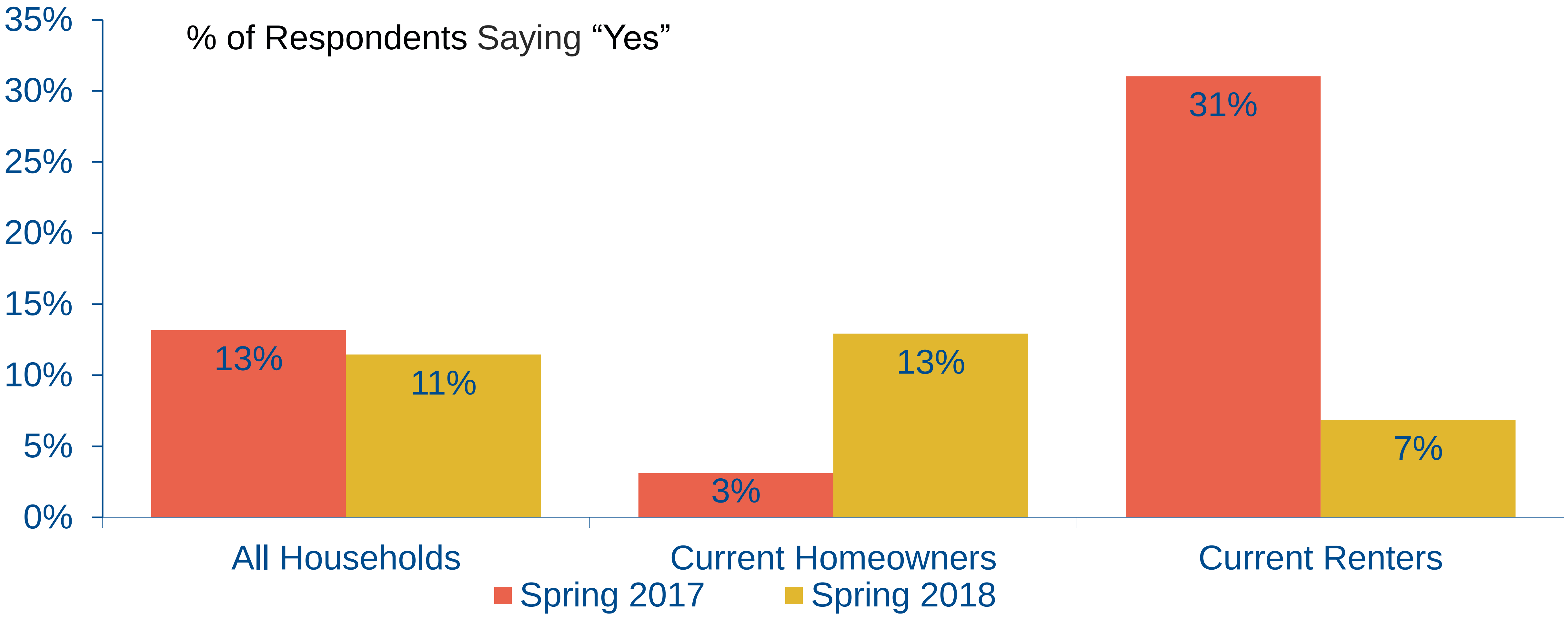
What is a Buyer to Do?

- ✓ Non Traditional Lenders/Credit Unions
- ✓ Buy Multi-Family - Average Price under $350K
- ✓ Save for a Down Payment
- ✓ **Plan the Leafs Stanley Cup Parade?**



Home Buying Intentions Have Fallen Compared to Last Year

Altus Group

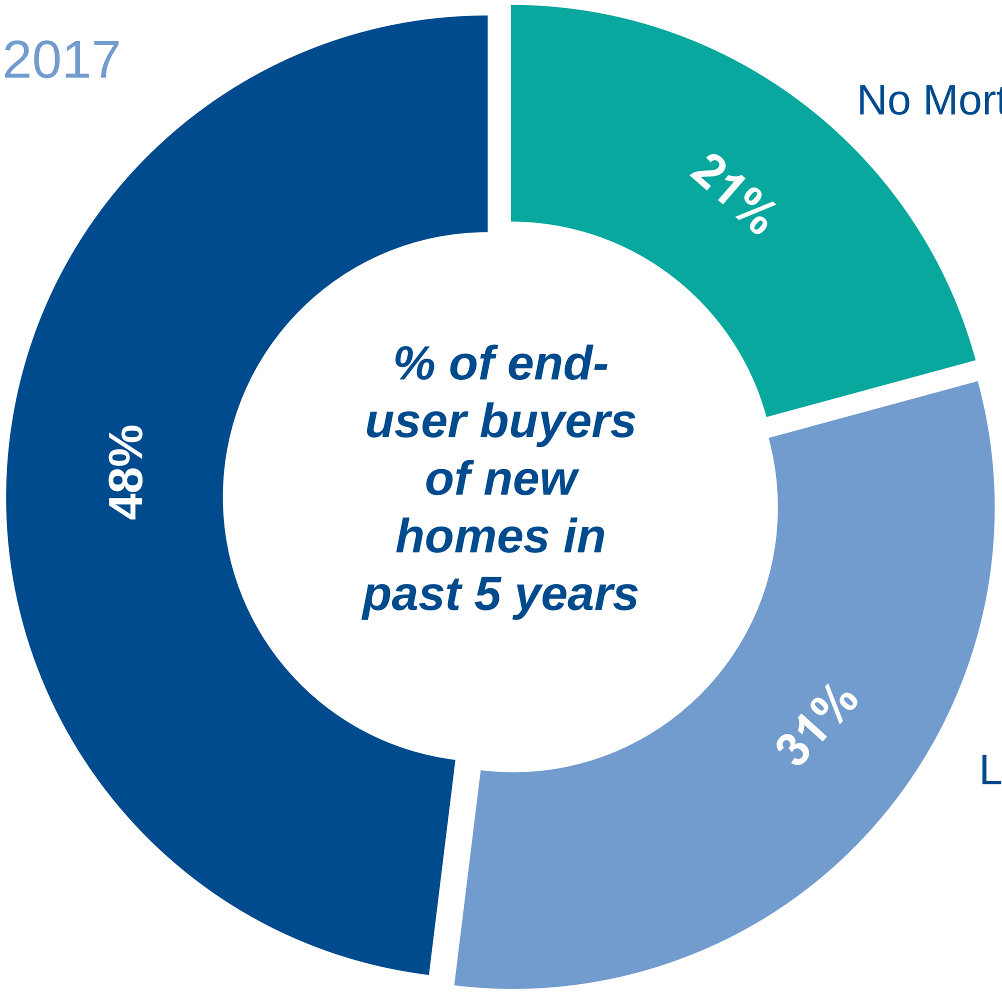


Source: Altus Group

Despite the Fact that Many Buyers Have Been Stress Tested Since Spring 2017

Altus Group

Edmonton State of the Market 2017



Source: Altus Group

It Takes a District To Make Mixed Use Work?

The Ice District model has proven successful in Edmonton

- Top Selling Condo Projects (Legend and Sky Residences)
- Strong Leasing Demand - Edmonton Tower and Stantec Tower

- Many competing redevelopments are keen to replicate this success…
- Century Park? Bonnie Doon? Blatchford? Brewery District? Millwood Town Centre? Stadium?

Vacant Space in Older Buildings Likely to Require Alternate Strategy

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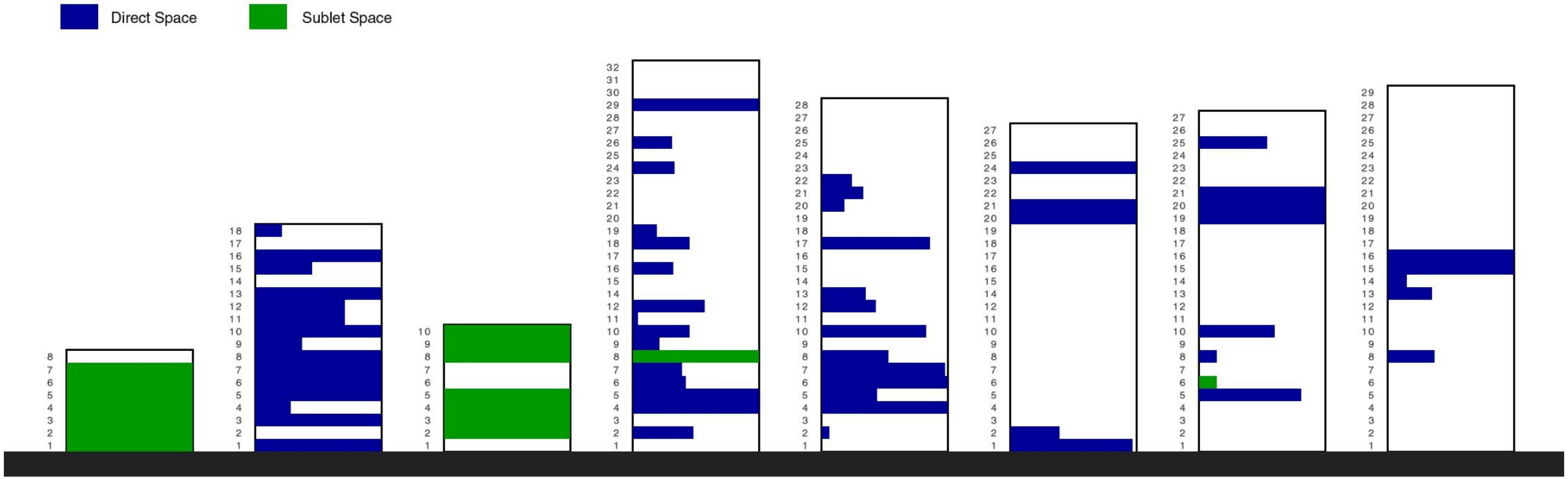








Stantec Building	HSBC Bank Place	Devonian Building	Bell Tower	Scotia Place Tower 1	Edmonton Tower	MNP Tower	Epcor Tower

Investor Confidence Wavering?

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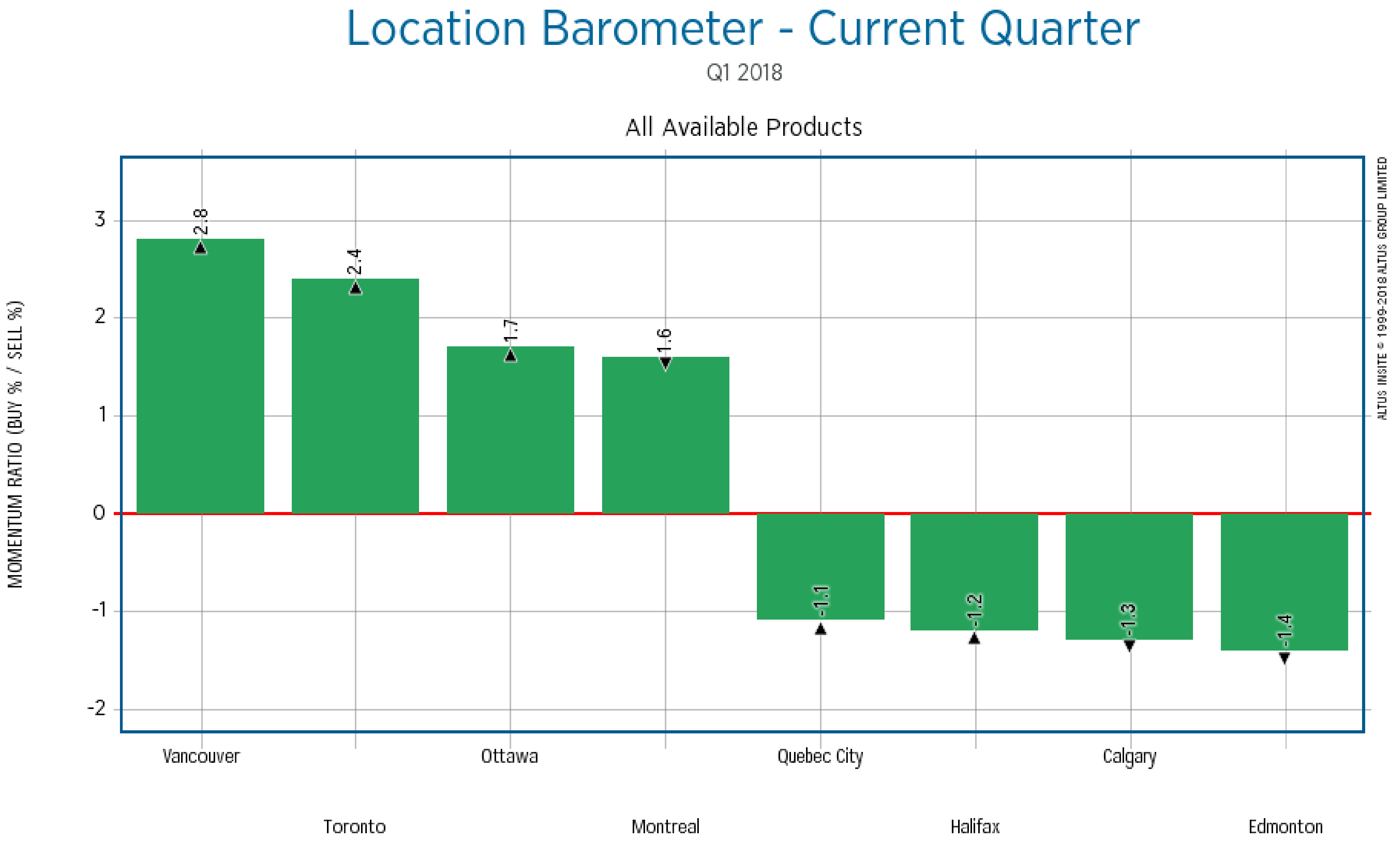


Source: Altus Group

Edmonton Market Outlook

New Homes Market		Commercial Transactions		Commercial Markets		
SALES	PRICING	DOLLAR VOLUMES	TRANSACTION VOLUMES	OFFICE VACANCY	INDUSTRIAL VACANCY	LEASE RATES
▼	▼	◀▶	▲	◀▶	▼	◀▶

Today’s Presentation

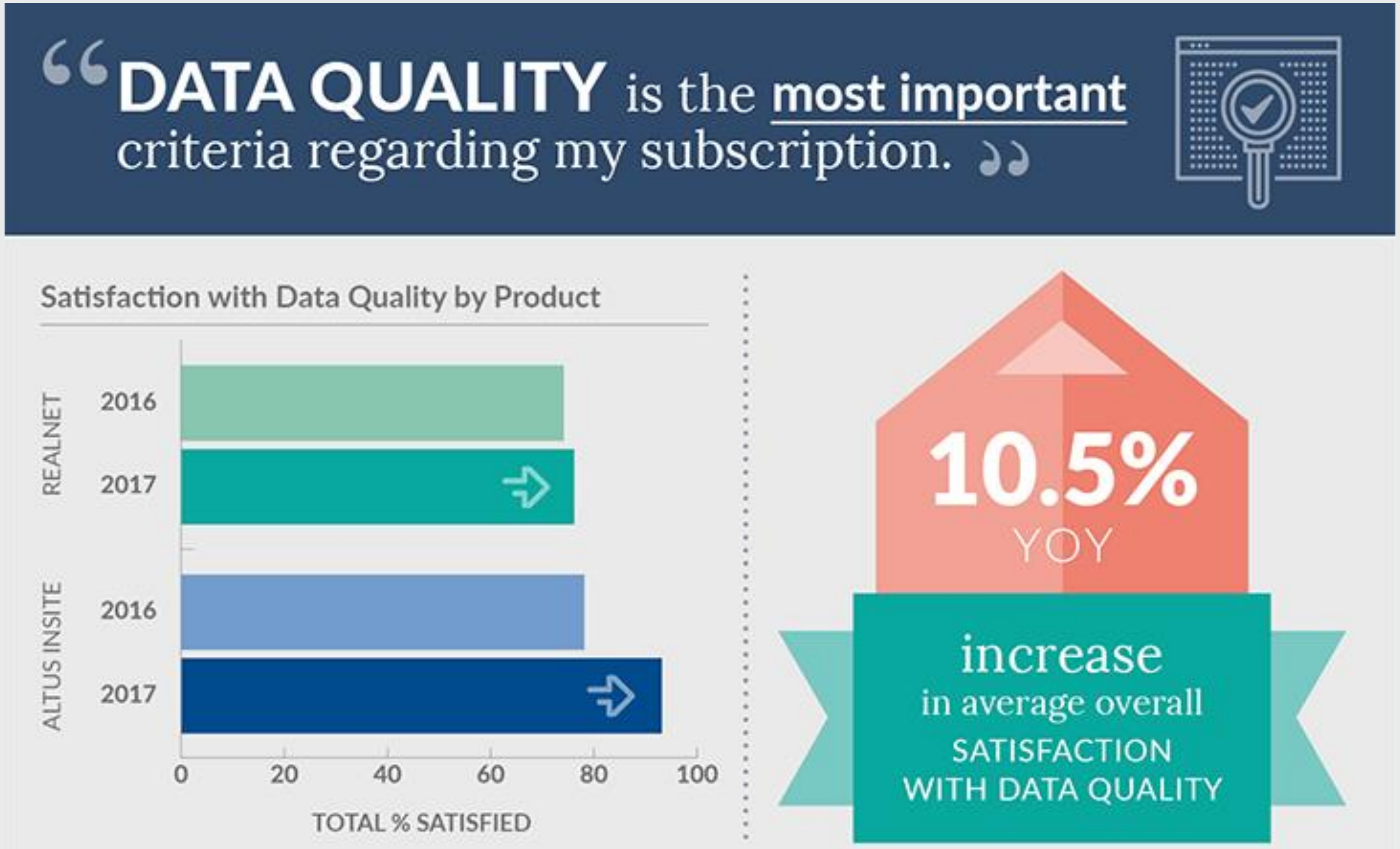
All attendees will receive an email later today with instructions on how to download the slides.

Edmonton Flash Report 2018

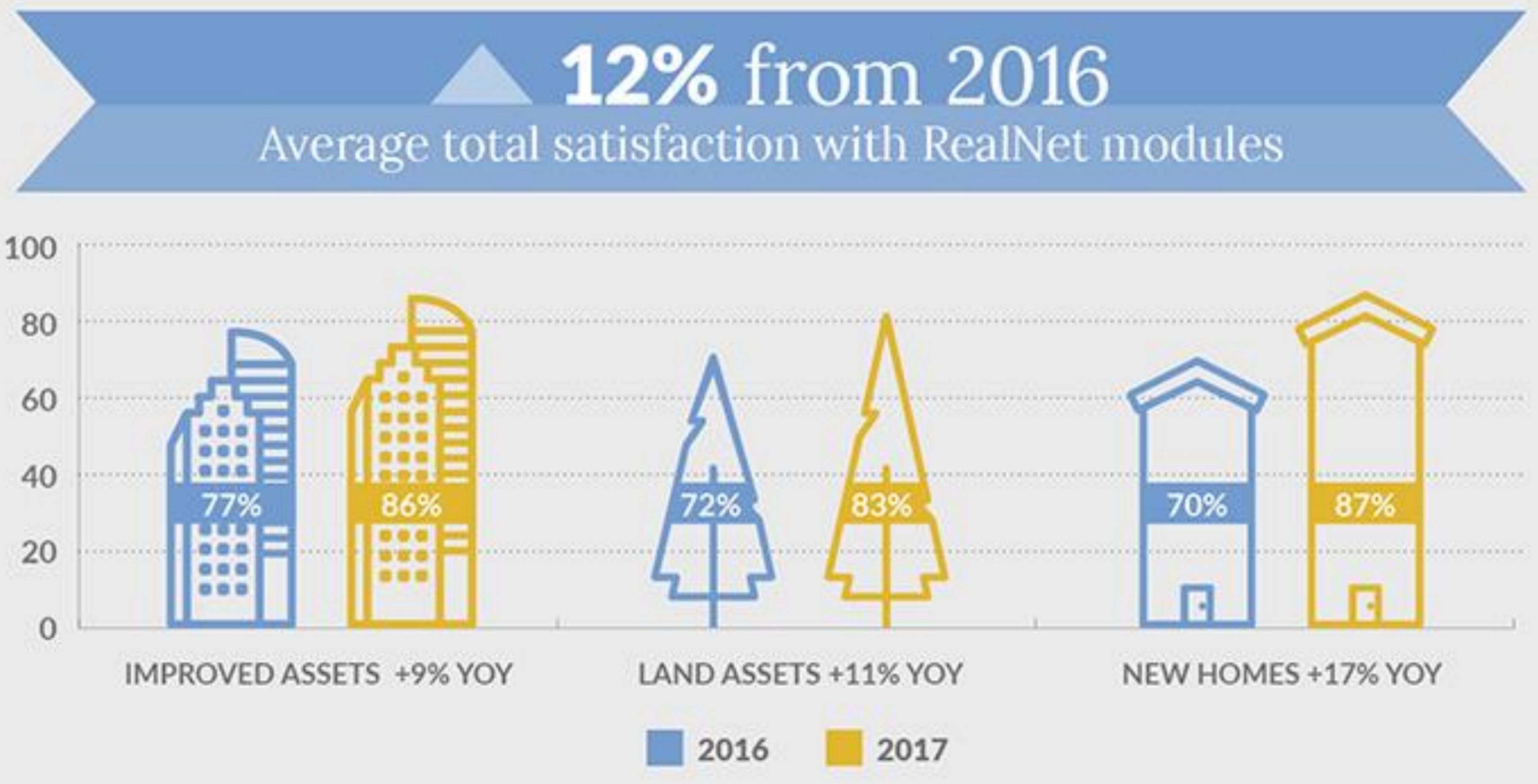
All attendees will receive an email later today with a link to download the **Edmonton Flash Report 2018**.

2017
Client Satisfaction Survey Results

2017
Client Satisfaction Survey Results



2017
Client Satisfaction Survey Results



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FROM CONCEPT

- LAND ACQUISITION
- PROJECT PLANNING
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- CONSTRUCTION
- OCCUPANCY

TO COMPLETION

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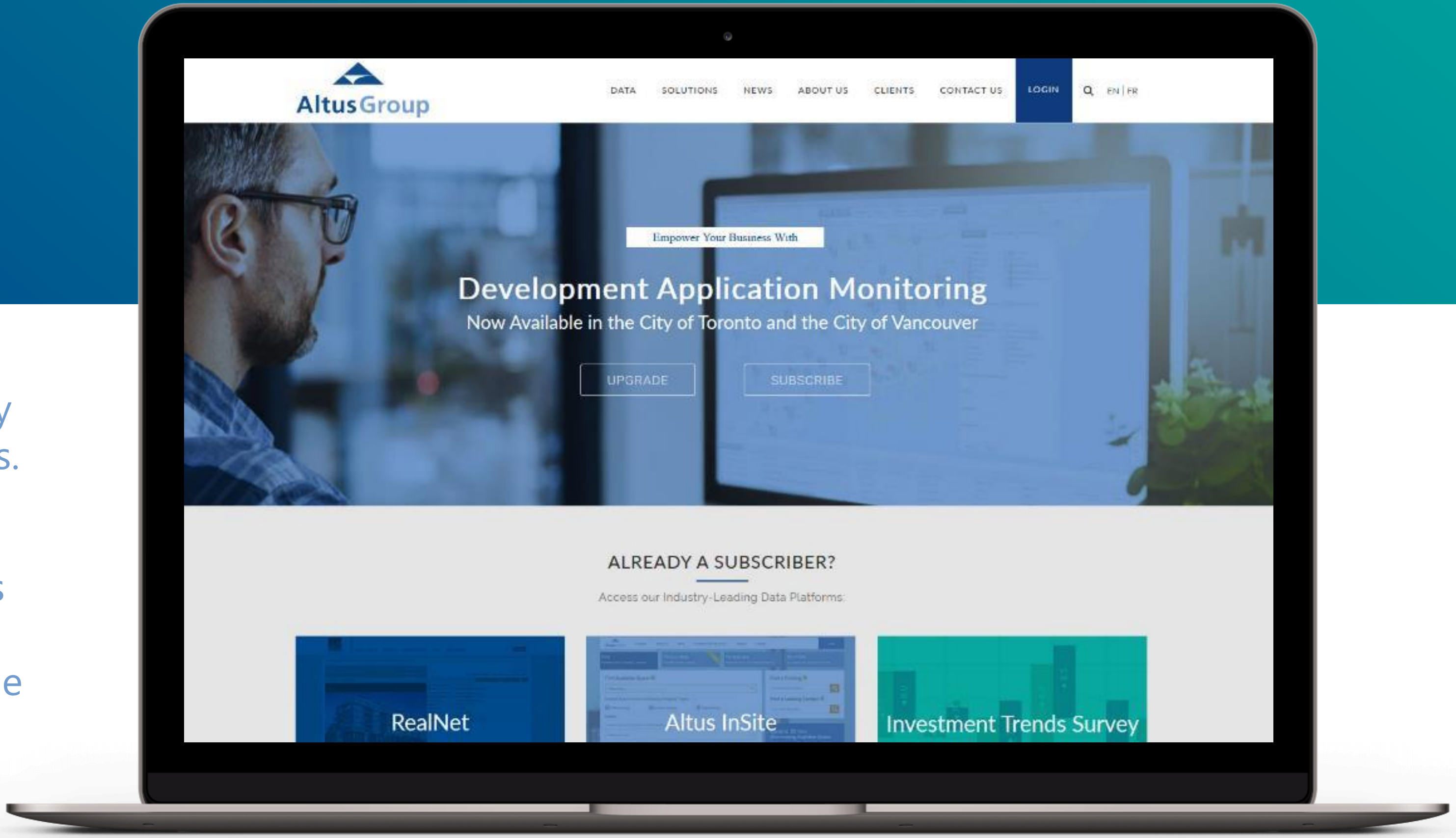

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